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A COUNTING-HOUSE
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A COUNTING-HOUSE DICTIONARY

CONTAINING AN

EXPLANATION OF THE TECHNICAL TERMS

USED BY

MERCHANTS AND BANKERS

IN

The Money Market and on the Stock Exchange

NEW EDITION

BY

JOHN WHITE KUHRT, B.Sc.

1914 *Star*



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Counting House Dictionary

A

ABATEMENT. (*Fr.* Rabais; *Ger.* Rabatt.) When used commercially is synonymous with "*Discount*" (*which see*).

ABRASION. (*Fr.* Frai; *Ger.* Abnutzung.) Loss of weight suffered by coin in the ordinary wear and tear of circulation, and thus distinct from loss of weight or mutilation by "*Defacement*" or "*Sweating*." In the case of token money abrasion is not of much consequence, but standard coins must not be allowed to lose weight to any appreciable extent. Thus, the standard weight of the sovereign is 123·274 grains, and it ceases to be legal tender if of less weight than 122·5 grains. The minimum current weight of the half-sovereign is not exactly one-half, but 61·125 grains. However, by an Act of 1891 both sovereigns and half-sovereigns can be exchanged at the Mint for new coin, even when as much as 3 grains below standard weight. As might be deduced from the above figures, the half-sovereign suffers proportionately more from abrasion than the sovereign. See also "*Light Coin*."

ACCEPTANCE. (*Fr.* Acceptation; *Ger.* Acceptiren, or Accept.) Signifies primarily the act of accepting a Bill of Exchange, but is also frequently applied to the Bill itself after the latter has been accepted.

The Drawee of a Bill of Exchange (*which see*) accepts by writing, or stamping, the word "*Accepted*" across the *face* of the Bill, and adding his signature. The signature alone does not constitute an acceptance. An indication of the place of payment of the Bill is frequently added to the word "*Accepted*"; thus: "*Accepted, payable at — Bank*," and it can happen that the paying bank is not even in the country of domicile of the Drawee: for instance, bills are drawn in the East on Dutch firms for sterling amounts and are made payable, by the Acceptors, at some London bank. Such acceptance is called "*special*," but is not in a legal sense "*qualified*" unless the place of payment mentioned is stated to be the *only* place of payment. A "*qualified*" acceptance is one which affects to alter the amount payable or the date of maturity, or to impose conditions not in the intention of the Drawer,

as, for example, if a bill is accepted subject to the delivery of certain documents. The Bills of Exchange Act recognises qualified acceptances if entered distinctly on the face of a bill, but, naturally, any such qualification seriously detracts from the commercial value of a bill.

Acceptance for Honour.—If the drawee refuses to accept a Bill, it may be accepted by another party for the purpose of safeguarding the credit of the drawer or any party liable on the bill. Such acceptance is worded: "*Accepted Supra Protest*," that is to say, accepted after having been protested for dishonour owing to non-acceptance by the drawee.

(2) ACCEPTANCE (*Fr.* Acceptation; *Ger.* Annahme) is by the Law of Contract one of the essentials to a legally binding agreement between two parties. In legal parlance: "Every contract springs from the acceptance of an offer."

Two further meanings are attached to the word "Acceptance" by the Sale of Goods Act. (a) If, on receipt of goods, the buyer, after due examination thereof, enters no complaint as to condition or quality, he is held to accept the goods. (b) If a person permits goods to be left on his premises, such goods, even although still liable to be rejected on the ground of condition or quality, are held to have been accepted in the meaning of the Section which stipulates that "a contract for the sale of goods of £10 or upwards is not enforceable unless the buyer *accepts* part of the goods and actually receives the same, etc." See also "*Sale of Goods Act*."

ACCOMMODATION BILL. (*Fr.* Billet de complaisance; *Ger.* Gefaelligkeitswechsel.) A bill of exchange which does not arise from an ordinary commercial transaction, but is virtually a potential loan by the drawee to the drawer, is known as an *Accommodation Bill*, or "*Kite*." As these terms are often regarded as a slur, it should be noted that the respect enjoyed by a bill of exchange depends on the standing and credit of the drawee, and drawer, rather than on the nature of the underlying transaction.

ACCOUNT. (*Fr.* Compte; *Ger.* Rechnung, or Konto.) A statement of any commercial transaction or transactions rendered by one party to another or recorded in the books of either.

ACCOUNT CURRENT. (*Fr.* Compte-courant; *Ger.* Konto-Korrent.) A very common expression really meaning little more than a statement of account, as above; there is, however, an implication that such statement is a periodical one, passing between parties in regular business relations, showing a balance as at a stated date, interest included.

ACCOUNT, JOINT. See "*Joint Account*."

ACCOUNT SALES. (*Fr.* Compte de Vente; *Ger.* Verkaufsrechnung.) A statement rendered in respect of goods sold for a third

party. Such statement will show full particulars of the goods, as received; the selling price; all allowances made to the buyer, such as Tare, Discount, etc.; freight, warehousing, insurance and other charges incurred; expenses connected with the sale; commission, and so on.

ACCOUNT, TRIO. See "*Trio Account*."

ACCOUNT (Stock Exchange Term). (*Fr.* and *Ger.* Liquidation.) The period between two Stock Exchange settlements is often referred to as "An Account," and is named after the second of such settlements. Thus, the period between the End November and Mid December settlements would be called the "Mid December Account." The word is also used for the settlement itself. Thus, the settlement day is often called "Account Day," and "bought for Mid January account" is equivalent to "bought for Mid January settlement," whilst "bought for the account" signifies bought for the pending settlement, as distinguished from "bought for cash." See also "*Settlement*."

ACCOUNTANT. (*Fr.* Comptable; *Ger.* Rechnungsfuehrer or Revisor.) A person qualified to supervise the keeping of, and audit, books of account. Thus, if the ordinary book-keeper be compared with a bricklayer's labourer, then an accountant may be, according to circumstances, either bricklayer or clerk-of-the-works. See also "*Audit*."

ACCRUED INTEREST. (*Fr.* Intérêts à recevoir. *Ger.* Laufende Zinsen.) On many Continental and American Stock Exchanges bonds are dealt at a price which is independent of any interest there may be outstanding on the bonds; *in addition to* the purchase price, the buyer has to pay the seller interest on the nominal amount of the bonds from the date when the last coupon was paid until the date the buyer takes delivery. In such cases bonds are said to be dealt "*plus accrued interest*."

In this country bonds are usually dealt "*flat*," which means that the quoted price includes (or, rather, takes into consideration) any interest that has accrued since the last coupon payment. The effect is that, apart from fluctuations, a bond quoted in New York may stand at one figure all the year round, whereas in London the quotation will gradually rise as a coupon date approaches and will drop suddenly by the amount of a coupon each time the bonds are quoted "*ex*" (*which see*). Note, however, that British and Colonial Treasury and Exchequer Bonds or Bills, Rupee Paper, Indian Railway Debentures, and certain securities of a like character are dealt in so that the accrued interest up to the day for which the bargain is done is paid by the buyer.

ACTION. (*Fr.* Procès; *Ger.* Prozess.) To take an action is to institute proceedings in a *civil* Court. Whether an action is entered in the High Court or in the local County Court depends on the amount involved. County Courts have jurisdiction in ordinary cases up to

£100; in Chancery cases, up to £500; and in certain matters affecting limited companies whose capital does not exceed £10,000. Needless to say, no man of business enters upon legal proceedings without consulting a solicitor. In point of fact the proportion of serious disputes to the total of commercial transactions is infinitesimal, and of the disputes which do arise by far the larger number are settled by mutual agreement or by *Arbitration (which see)*. See also "*Right of Action*" and "*Limitations, Statute of*."

ACTUARY. (*Fr.* Actuaire; *Ger.* Aktuar.) A Life Insurance expert, qualified to prepare tables showing average expectation of life, etc., on the basis of which the life insurance companies base their various forms of policy and the amounts of premium payable. It may be noted that communications from the Life Department of an insurance company are signed by the "*Actuary*," whilst the "*Underwriter*" signs the communications of the Marine Department. See also "*Insurance*."

ADMINISTRATION, LETTERS OF. (*Fr.* Gestion; *Ger.* Erbschaftsvollmacht.) Authority obtained from the Probate Court for dealing with the estate of a person who has died intestate, or failed to nominate an executor. See also "*Probate*."

AD VALOREM. Latin for "according to the value." There are two broad principles applicable to the levying of customs duties: the duty may be imposed at so much per unit of *weight*, or so much per unit of *value*. The latter is called the "*ad valorem*" principle. By judicious confusion of the two principles the makers of protective tariffs effectively baulk any intelligible comparison between a new tariff and the old.

AFFIDAVIT. (*Fr.* Déclaration affirmée par serment; *Ger.* Eidliche Erklaerung.) A sworn statement made before a Notary Public, Magistrate, Consul, or other public functionary.

AFTER DATE. (*Fr.* de date; *Ger.* nach heute) An expression used in the wording of Bills of Exchange. Thus, "Three months *after date* pay to the order of . . ." the date referred to being the date on which the bill is drawn.

AFTER SIGHT. (*Fr.* de vue; *Ger.* Sicht, or nach sicht.) Also a Bills of Exchange term. "Three months *after sight*," means three months from the date on which the bill is presented to the drawee for acceptance. In effect, therefore, "after sight" is equivalent to "after acceptance," and the date of acceptance must accordingly appear on the face of the Bill. See also "*Sight Bills*," "*Sighting a Bill*."

AGENT. (*Fr.* Représentant; *Ger.* Agent.) An agent is one employed by another in such manner as to bring the employer into legal relationships with third parties. Technically, agents

are of three kinds: *Special*, i.e., having authority to do a specific act; *General*, i.e., having general authority within certain limits; *Universal*, i.e., having unlimited authority.

In the world of commerce, the agent is perhaps less frequently an *employee*, and more often an intermediary. Thus, besides those people who expressly call themselves agents (e.g., house and estate agents), the important class of brokers (see "*Broker*") are all agents in the strict sense of that term. Curiously enough, the term "*Commission Agent*," once an honoured title, has sunk into disrepute as a result of having been assumed by all sorts of undesirables engaged in shady and illegal practices.

An agent may be remunerated *on commission*, or by fixed salary, or by a combination of fixed salary and commission. Commercial travellers are, of course, a certain type of agent. See also "*Del Credere*."

An agency may commence without any special legal formalities, but the principal must be careful when an agency terminates that he properly advises all his business friends who have had dealings with the agent, as otherwise he (the principal) will still be bound by the acts of his agent, as against third parties. The termination of an agency by the principal is called *Revocation*, by the agent, *Renunciation*.

An agent is bound to use reasonable skill and diligence in the interest of his principal, and even if the agency is gratuitous he is liable for negligence in respect of any work *actually commenced*. An agent need not necessarily act in his principal's name, but he cannot "convert himself into a principal" without his principal's consent; thus, if a broker is employed to find a buyer, he cannot sell *his own* goods without the consent of his principal.

Secret Commissions. No agent may make a secret profit out of his agency; the principal may recover from the agent any secret commission received by the latter, and may, in addition, proceed against the person paying such commission for damages, and may entirely repudiate a contract that has been entered into by a bribed agent, without the onus of proving that it was such bribe that actually induced the completion of the contract. Apart from the general law, the Stock Exchange (*which see*) has its own special rules forbidding not only secret commissions, but also *double commissions*; these rules, however, are framed not so much for the protection of the principal as to prevent brokers from dealing outside *the House*.

Delegation of Agency. The general rule of law is that the agent cannot delegate his work; but there are several important exceptions; e.g., an agency may be delegated where:

- i. Trade custom sanctions such delegation;
- ii. Delegation is necessary to proper performance;
- iii. There is an express or implied understanding permitting delegation,

Rights of Agent. Apart from an obvious claim to his agreed remuneration, and potential claim for losses and liabilities incurred in the course of his agency, an agent has, under certain circumstances, a right of lien on goods belonging to his principal, and even a right of *stoppage in transitu*, similar to that of an unpaid seller under the Sale of Goods Act. See "*Lien*" and "*Stoppage in Transitu*."

Authority of Agent. The authority entrusted to an agent would not be a matter of much importance to the commercial community, were it not for the fact that attempts are made from time to time to repudiate bargains entered into by and with agents, on the ground that such agents had not the requisite authority. Hence, the main question is not what is the authority actually given by a principal to his agent, but, what is the *ostensible authority* exercised by such agent? Therefore, any secret limitation of an agent's powers cannot bind a third party who was unaware of such limitation. This raises another point, viz: What if the agent pretends to have wider powers than have been in reality conferred on him? The answer of the law is that such agent can be sued by any third parties who were led to enter into transactions on the strength of such simulated authority.

Factors Act (1889). The law relating to mercantile agents has been codified under the name of the Factors Act, which defines a *Mercantile Agent* as one having in the ordinary course of his business authority either to sell goods, or to consign goods for the purpose of sale, or to buy goods, or to raise money on the security of goods.

Where a mercantile agent is, with the knowledge and consent of the owner, in possession of goods or of the documents of title to goods, any sale, pledge or other disposition of the goods made by him when acting in the ordinary course of business as a mercantile agent shall, subject to express provisions to the contrary, be as valid as if the agent had been expressly authorised by the owner of the goods to make such sale or other disposition. Similarly such sale, pledge or other disposition will be valid, as far as third parties are concerned, even after the agency has been actually terminated, if the third party had not had notice of the termination of the agency.

Where a mercantile agent has obtained possession of any document of title to goods by reason of his being, or having been, with the consent of the owner, in possession of the goods represented thereby, or of any other documents of title to the goods, his possession of the first-mentioned documents shall be deemed to be with the consent of the owner as far as third parties are concerned.

Let it be repeated, however, that no principal is bound by any act of his agent which is not done in the *course of the agent's employment* on his behalf, or by any act which is not within the *apparent scope* of the agent's authority.

Brokers' Entries. Where a broker contracts on behalf of both buyer and seller, an entry of the transaction signed by him operates as a

memorandum of the contract signed by both parties for the purpose of satisfying the provisions of Section IV. of the Sale of Goods Act (*which see*). Where there is no such signed entry, signed *bought and sold notes* (i.e., contracts) form a binding contract in writing if they substantially agree, but not if there is any material variance between them.

Principal's Right of Action. In some markets (see, e.g., "*Stock Exchange*") the agents are bound by special rules amongst themselves, and as the rules of such powerful corporations might be thought to prevent a principal from intervening, the law expressly provides that the right of a principal, whether *disclosed or undisclosed*, to sue in his own name on a contract made on his behalf, is *not* affected by the circumstance that it was made in a market by the rules and regulations, customs or usages of which the agent is personally liable on the contract, and the contract is there regarded as that of the agent alone (as is the case on the London Stock Exchange); this holds good even if such rules and customs were *known* to the principal at the time when he authorised his agent to make the contract. On the other hand, however, if judgment is obtained against the *agent* in respect of such a transaction, such judgment is a bar to any proceedings against the *principal* on the contract.

AGIO. A word widely used on the Continent in the sense of "*Premium*" (*which see*), and apparently gradually creeping into commercial English.

AGREEMENT. (*Fr.* Convention, contrat; *Ger.* Vertrag.) Often used to mean a written contract bearing the so-called "Agreement-stamp" of 6d., but strictly speaking applicable to any understanding between two parties. Agreements in respect of the purchase and sale of goods do not require stamp, and in many instances need not be in writing at all (see "*Sale of Goods Act*"). Stock Exchange transactions are the subject of a special stamp duty. See *Appendix*.

A "*Deed*" is a specially solemn form of agreement, "*sealed and delivered*," as well as signed. Legally a Deed is more binding than an ordinary Agreement, in that no proof is required that there was any "*consideration*" for the contract between the parties. See "*Contract*."

ALLONGE. (*Fr.* and *Ger.* Allonge.) Another "alien immigrant." If and when a Bill of Exchange becomes full of endorsements on the back, a slip of plain paper is pasted on to provide for additional endorsements, this slip of paper is called an *allonge*.

ALLOTMENT. (*Fr.* Répartition; *Ger.* Zuteilung.) The apportionment of shares, stock or bonds to persons who have applied for them

or are under obligation to take them. When a new issue of securities is made by a company or corporation *Applications* are invited, and in due course the securities are *allotted* to such applicants. If the issue be oversubscribed, the company or financial house making the issue have absolute discretion as to the proportion they allot to the various applicants, and many interesting points arise in this connection. Thus, if the new issue be made on behalf of a large retail or amusement enterprise, the obvious policy will be to favour small applicants and thereby ensure a potential clientèle. In other cases the small fry will be ruthlessly debarred from allotment. Anyhow, the allotment proceeds in the manner best suited to the objects of the concern making the issue, with, incidentally, a savage elimination of "*Stags*" (*which see*), if discoverable.

So much for an oversubscribed issue. If the amount applied for just corresponds with the total to be issued, then, of course, allotment will be made *in full* to each applicant. Lastly we come to the case, by no means infrequent, where the total applications do not make up the amount of the issue. The course then adopted depends on whether or not the issue has been *underwritten* (see "*Underwriter*"); if the issue has been *underwritten*, applicants receive allotment in full and the balance unapplied for is allotted, *pro rata*, to the underwriters; if the issue has not been underwritten, the failure of the public to apply for a substantial proportion of the total may result in the entire abandonment of the issue—either voluntarily or under the provisions of the Companies Acts, whereby a public limited liability company cannot proceed to allotment unless the total applied for reaches the "*minimum subscription*" fixed in the company's Memorandum or Articles of Association, or, failing the fixing of a minimum subscription, the entire amount of the issue.

Legally, allotment constitutes the *acceptance* of the *offer* made by the applicant (*i.e.*, the letter of application), and is conveyed in a "*Letter of Allotment*," which must bear an impressed stamp, and will subsequently be returned to the company in exchange for certificates. The notification sent to applicants who have not received any allotment is often called a "*Letter of Regret*," and hence the expression found in financial papers, "Letters of Allotment and Regret have been posted in respect of," etc.

For specimen Letter of Allotment, see *Appendix*, whilst the following fictitious extract from a Company's Board Minutes will serve to illustrate the practical handling of allotments from the point of view of the company:

"The Secretary having reported that in respect of the proposed new issue of 50,000 6% II Preferred shares of £1 each, Applications had been received as follows, viz.:

From existing shareholders	..	..	..	35,270
From other sources	..	..	..	44,510

the latter being classified thus :

	<i>No. of Applications.</i>	<i>Total applied for.</i>
For 10 shares or less	249	2,250
„ 25 „ „	332	7,470
„ 50 „ „	537	25,100
„ over 50 shares	114	9,970

It was resolved to make *allotment in full* :

(a) in respect of all applications from existing shareholders	35,270
(b) in respect of all applications for 25 shares or less	9,720
and <i>allotment of one-seventh</i> (1/7th) of the amounts applied for in the case of all applications for more than 25 shares ..	5,010
making total number of shares allotted	50,000

and the Secretary was instructed to prepare Allotment Letters accordingly.”

ALLOWANCE. (*Fr.* Bonification; *Ger.* Abzug, Entschädigung.) Rebate or deduction accorded by reason of goods not being up to sample, delayed delivery, etc. Also used occasionally in the sense of *commission*. See also “*Remedy*.”

ALLOY. (*Fr.* Alliage; *Ger.* Legierung.) Strictly a compound of two or more metals, but in monetary science employed to mean the *base metal* combined with gold or silver for purposes of coinage. The British gold coinage is “eleven-twelfths fine,” or, in other words, contains one-twelfth part of alloy; gold in a purer state would be too “*soft*” for currency purposes. See “*Pound*.”

AMORTISATION. (*Fr.* Amortissement; *Ger.* Rueckzahlung, Tilgung.) The redemption of a loan, or of an issue of Debentures or Preference Stock. See “*Sinking Fund*.”

ANNUITY. (*Fr.* Rente annuelle, viagère; *Ger.* Annuität.) A fixed, annual, regular payment to continue for a stated period. The most common form of annuity is that purchasable from an insurance company, but irredeemable Government loans are virtually annuities, and the Chilian Government actually describes some of its loans as “*Annuities*.”

ANTE-DATE. (*Fr.* Antidater; *Ger.* Zurueckdatieren.) To *ante-date* a document is to inscribe upon it a date prior to its actual date.

APPLICATION. (*Fr.* Souscription; *Ger.* Unterzeichnung.) A signed, formal offer to take a specified portion of an issue of shares, stock, debentures, etc. When Prospectuses (*which see*) are sent out, they are usually accompanied by separate printed forms of application, but application may be made on an ordinary sheet of plain paper, provided the necessary particulars are supplied. Technically, an

application for shares is an *offer*, and not, as might at first sight be supposed, an acceptance of an offer made by a prospectus. See also "*Allotment*."

Applications must be accompanied by the prescribed percentage of *application money*, usually 5% on the nominal value of stock or shares subscribed, and in the case of underwriters (*which see*), both application form and application money have sometimes to be handed in even before the issue of the prospectus to the public, as a precaution against default on the part of underwriters.

For specimen Form of Application, see *Appendix*.

APPRAISER. (*Fr.* Estimateur; *Ger.* Taxator.) A licensed Valuer.

APPRECIATION. (*Fr.* Augmentation; *Ger.* Steigung or Hausse.) Technically used to mean an increase in value, being the opposite of "*Depreciation*." The word is not yet a current commercial term, although occasionally employed in financial circles.

ARBITRAGE. (*Fr.* Arbitrage; *Ger.* Arbitrage.) Dealing with a view to profit by temporary price differences in two or more markets. Of course, all business is, in essence, an endeavour to profit by price differences, but the term "*Arbitrage*" does not apply to ordinary routine trading, the purchase of goods wholesale for retail sale, dealing in goods which have to undergo some further process before they can be disposed of, and so on.

The *Arbitrageur*, unlike the ordinary merchant, is less concerned with the goods or documents he deals in than with the prompt "*covering*" of his transactions. Thus, an importer who has bought 1,000 bags of Santos Coffee "*to arrive*" will anxiously await the steamer to see whether the actual quality of the coffee tallies with the description on which he bought, and will probably only proceed with its sale after he can obtain samples from the bulk on arrival. On the other hand, if an Arbitrageur buys 1,000 bags of coffee "*to arrive*," he will promptly sell them, also "*to arrive*," of course, in Havre, Rotterdam, or anywhere else where the ruling price offers a profit, after due allowance for all shipping charges, additional insurance, etc.

At any given time there is a certain international price level for such "*world commodities*" as wheat, copper, coffee, etc., as well as for the more prominent Stock Exchange securities. But each market centre is subject to its own special local influences as well as to the world-wide conditions affecting the commodity, and consequently there are constant local fluctuations in price. Herein lies the opportunity of the arbitrageur. He buys in the market that is temporarily "*weak*" and sells *simultaneously* in another market. A brief concrete illustration from Stock Exchange arbitrage will bring out the chief features of this kind of business. Suppose, for instance, that Canadian Pacific shares are quoted at \$175 in New York, and that

the London "*parity*" (see "*Parity*") is \$200. Now, for some reason (*e.g.*, a rise in money rates in London, or selling for Continental account) the London price for "Can-Pacs" suddenly drops to 197½. The arbitrageur in London must quickly calculate whether (taking into consideration interest, brokerage, eventual shipment, etc.) it will pay to buy "Can-Pacs" in London and sell in New York: if he decides to take 500 shares at \$197½, he cables immediately to his *counterparty* in New York to *undo* (*i.e.*, to sell). If the operation has been rapid, the New York *counterparty* may be able to sell 500 shares at \$175, but the opportunity will be extremely brief, as other arbitrageurs will be operating in the same direction and New York brokers will soon know that London is selling; very quickly the New York and London prices will approximate to *parity* once more.

Successful arbitrage necessitates highly efficient telegraphic connections, ability to make rapid calculations and decisions, and, incidentally, a considerable capital, since the margin of actual profit is usually small in comparison with the magnitude of the transactions. Consequently, only firms of standing can engage in such operations.

In arbitrage pure and simple there is practically no element of speculation. Purchases in one market are "*undone*" virtually *at once* in another, and sales are "*covered*" in the same manner. If a bargain is not closed immediately on the other side it is said to remain "*pending*."

Purchasing in market A and selling in market B implies, of course, in the ordinary way an eventual shipment from A to B, and the calculations of the arbitrageur must include the expenses involved in such shipment. If, however, before the shipment is actually effected, market movements make it possible to buy the goods or securities back in market B and re-sell in market A, an additional profit is made by obviating shipping charges. This is called "*turning the position*."

In order that firms in widely separated markets (say, Liverpool and Chicago) may conduct profitable arbitrage, they must keep each other constantly informed as to prices, market tendencies, and so on; to ensure the requisite attention of *both* parties, arbitrage is generally conducted on a *joint account* basis, the profits being equally divided.

The effect of arbitrage operations is to keep prices in all the various market centres at a "*parity*," since any tendency to inequality is automatically corrected by the dealings of the arbitrageur (or, perhaps it would be more correct to say, by the competition between arbitrageurs). "*Parity*" in this connection must not be confused with "*equality*" or "*uniformity*." For instance, there is always a big difference between the ruling prices of wheat in London, Paris, Hamburg, Buenos Ayres and Chicago, but these *permanent* differences—due to tariffs, freights, etc.—do not concern the arbitrageur, except, of course, that he allows for them in his calculations.

In its economic aspect, arbitrage represents a mechanism for eliminating the friction attendant on adjusting prices to a parity level. Competition amongst arbitrageurs themselves keeps the profits of such dealings to a reasonable percentage, and the actual sum made by arbitrage operations is, in effect, a premium paid by the commercial community as a whole for the steadying of markets by spreading local fluctuations over a wider area.

ARBITRAGEUR. (*Fr.* Arbitrageur; *Ger.* Arbitrageur.) A person skilled in arbitrage operations. As explained under "*Arbitrage*," a large capital and extensive connections are necessary for this class of business; therefore, an arbitrageur is not ordinarily a private individual, but acts in conjunction with a large firm or company.

ARBITRATION. (*Fr.* Arbitrage; *Ger.* Schiedsspruch.) The settlement of disputes by experts, as distinct from legal process. Business men have a holy dread of the law courts as devourers of time, money and patience; often they will cut a loss rather than engage in legal proceedings. It is, however, always open to two business men to submit a matter in dispute between them to the judgment of a third, and, in fact, there is a stipulation in many commercial contracts that disputes arising in relation thereto shall be submitted in the first place to arbitration. See, *e.g.*, clause in specimen contract under "*Contract Note*."

Let it not be imagined that the parties to a commercial arbitration are necessarily animated by the fierceness and spite which so frequently characterise litigants. Arbitration as practised by business men is commonly merely a convenient means of deciding a technical point. The following is a very ordinary case of arbitration. A Mincing Lane merchant buys 50 cases of "fair R.B. Button Lac" "*to arrive*." Six weeks later the goods reach port, a sample is delivered to the buyer, and he claims an allowance of 5s. per cwt. from the seller on the ground that the Lac is not fully up to the standard of "fair R.B." The seller will probably maintain that the quality is alright; the two then call in some well-known broker in the "Lane" to give his decision. Both buyer and seller sign an arbitration agreement, after which the arbitrator gives his *award*. Possibly it is that the buyer has to get an allowance of, say, 2s. per cwt. from the seller. The arbitrator gets a small fee, the seller hands the buyer a *credit note* for the difference of 2s. per cwt., and the incident is closed.

(2) The word "Arbitration" is sometimes employed in the sense of "Arbitrage" (*which see*), particularly in regard to calculations of foreign exchanges with a view to finding the most profitable way of making a remittance between two countries. The result of such calculation is known as the "*arbitrated exchange*," but the expressions "*par*" and "*parity*" are now more generally used. See "*Par*."

ARITHMETIC. (*Fr.* Arithmétique; *Ger.* Arithmetik.) Some useful practical methods.

Naturally there is no scope in a work of this description for a full treatise on commercial arithmetic, but it seems appropriate to refer briefly to a few handy arithmetical processes not so generally used as they deserve to be in business offices.

Decimalisation of Sterling Amounts. Notice that :

$$2s. = £0.1$$

$$1s. = £0.05$$

$$6d. = £0.025$$

Therefore the amounts which are multiples of 6d. are very easily decimalised.

Example: To decimalise £157 15s. 6d.

In the first decimal place insert the number of <i>florins</i> (2s.)										·7
1s.	=	..	..	..	..	..	..	..	..	·05
6d.	=	..	..	..	..	..	..	..	..	·025
										·775

Answer: £157.775

which, of course, can be worked *mentally*, once the principle is grasped.

Now consider amounts of less than 6d. Notice that :

$$\frac{1}{4}d. = 1/960th \text{ of } £1,$$

or slightly more than 1/1000th of £1.

Therefore, $\frac{1}{4}d.$ is *approximately* £.001

On this basis 6d. would appear as £.024

Whereas it is actually £.025

Hence, for amounts of *less than 6d.* the *number of farthings* can be written down as so many thousandths of £1, with an error in no case greater than .001.

Thus, $4\frac{1}{4}d.$ is *approximately* £.017

$3\frac{1}{4}d.$ „ „ £.015, and so on.

If an approximation is not sufficient, the *exact* decimal equivalent of a sum less than 6d. can be calculated *mentally*, as follows :

Notice that : 6d. = £.025, whereas by the approximation above described 6d. = £.024 only. In other words, the error is .001 for 24 farthings, and will be entirely corrected if to the number of farthings is added 1/24th of such number.

Thus, $5\frac{1}{4}d.$ is *approximately* £.021

Exactly it is £.021 plus 1/24th of £.021

i.e., £.021 plus 1/12th of £.0105

i.e., £.021 plus .000875

i.e., £.021875

With the above example in mind it will be easy, after a little

practice, *mentally* to decimalise any sterling amount *exactly*, and the complete process may be summarised as follows :

- i. Enter in the *first* decimal place the number of *florins*.
- ii. Enter in the *second* place " 5 " for a whole shilling, if any.
- iii. Add $\cdot 025$ for a whole sixpence, if any.
- iv. Reduce any sum less than 6d. to *farthings*, and mentally add $1/24$ th, by taking $1/12$ th of *half* the number. The number of farthings, plus the 24th part, is then added in the second or third decimal place, as the case may be.

Example : To decimalise £131 17s. $9\frac{1}{4}$ d.

Whole number	131
Number of florins	$\cdot 8$
One shilling	$\cdot 05$
Sixpence	$\cdot 025$
$3\frac{1}{4}$ d. = 15 farthings	
= $\cdot 015$ plus $1/24$ th =	$\cdot 015625$

Answer : £131·890625

With some practice the mental process becomes quite automatic, and any sum can be decimalised at sight.

The reverse process, the translation of decimals of £1 to shillings and pence is even simpler.

Call each unit in the *first* place a florin (2s.); then take out $\cdot 025$, $\cdot 05$ or $\cdot 075$, calling them 6d., 1s. or 1s. 6d., as the case may be, and call the remainder in the *second and third* places *farthings*. Ignore any figures beyond the third place.

Thus, £12·267589 = £12 5s. $4\frac{1}{4}$ d.

This method of reducing a decimal of £1 to shillings and pence at sight effects an enormous saving of time where sums of money are arrived at by division. The quotient has only to be carried to three places of decimals and the amount can at once be written down to the nearest farthing. Yet in numerous offices the antiquated method still obtains of finding the quotient for pounds, then multiplying the remainder by 20, finding a separate quotient for shillings, multiplying the remainder by 12, and again dividing to find the number of pence.

Long Division. Another useful application of the principle of mental arithmetic in the case of ordinary long division is worthy of more general adoption, as being both quicker and neater than the method of the elementary school. It consists in multiplying the divisor by the quotient figure and subtracting the product in *one* operation, instead of first writing down the product and then making a second row of figures for the result of the subtraction. One illustration ought to suffice to make the principle clear. It will at first require a little more concentration of mind, but, once adopted, will never be relinquished for the old method.

Example: To divide 369248 by 783.

Old Style— 783) 369248 (471·58109, etc.

$$\begin{array}{r}
 3132 \\
 \hline
 5604 \\
 5481 \\
 \hline
 1238 \\
 783 \\
 \hline
 4550 \\
 3915 \\
 \hline
 6350 \\
 6264 \\
 \hline
 860 \\
 783 \\
 \hline
 7700
 \end{array}$$

New Style— 783) 369248 (471·58109, etc.

$$\begin{array}{r}
 5604 \\
 1238 \\
 4550 \\
 6350 \\
 860 \\
 7700
 \end{array}$$

The mental calculation proceeds somewhat as follows: 4 times 3 are 12 and 0 is 12 (write down "0" under the "2" in the dividend and mentally "carry 1").

4 times 8 are 32 and the 1 carried makes 33, and 6 makes 39 (write down "6" under the "9" in the dividend, and mentally carry 3).

4 times 7 are 28 and the 3 carried makes 31, and 5 makes 36 (write down "5" under the "6" in the dividend). The first remainder is thus 560. The next dividend digit (4) is then brought down in the ordinary way and the process repeated.

Addition. Another time-saving device concerns the addition of long columns of figures. Ordinary addition implies the grouping of each column of digits into multiples of 10, and a remainder which is less than 10. Thus, if the sum of a column of digits is 73, that is only a form of expressing that the sum of digits makes seven tens and a remainder of 3. With a little practice it becomes just as easy to group the sum of a column of digits into multiples of any other number, say, for instance, 12, 20, 28, etc.

Take, for example, the number 28. It is required, let us suppose, to total the net weights of the following 15 cases of shellac :

Case No.	Net Weight.		
	cwts.	qrs.	lbs.
1301	1	3	27
2	1	3	24
3	1	3	26
4	1	2	27
5	1	3	14
6	1	3	21
7	1	3	26
8	1	3	9
9	1	3	17
1310	1	3	20
1	1	3	25
2	1	2	19
3	1	3	26
4	1	3	12
1315	1	3	19
Total	28	2	4



Instead of adding the figures in the right-hand column and dividing the total by 28, cast out each whole 28 in the process of addition. Thus, starting from the bottom of the column the *mental* reckoning will be something like this :

19 — 1 (qr.) 3 (lbs.) — 2 (qrs.) 1 (lb.) — 2·20 — 3·17 — 4·9 — 4·26 — 5·7 — 6·5 — 6·26 — 7·12 — 8·11 — 9·9 — 10·5 — 11·4 (*i.e.*, 11 qrs. 4 lbs.).

(N.B.—In *checking* the cast always start at the *top* of the column and go downwards.)

Discounts. For the mental calculation of discounts, interests, etc., it may be worth while to remind the student that

2½%	=	1/40th
3½%	=	1/30th
5%	=	1/20th
10%	=	1/10th
12½%	=	1/8th
20%	=	1/5th
25%	=	1/4th
33½%	=	1/3rd
37½%	=	3/8ths
50%	=	½ and so on.

See also "*Equation of Payments*," "*Interest*," and "*Present Value*."

ARTICLES OF ASSOCIATION. (*Fr.* Statuts; *Ger.* Statuten.)

Limited liability companies are required by law to prepare at the time of their formation a precise "constitution," which is in two parts, the *Memorandum of Association* (*which see*) and the *Articles of Association*, known often merely as the "*Articles*."

A company's Articles prescribe the procedure in connection with meetings, conditions applicable to the transfer of shares, rights of different classes of shares, etc., and are analogous to the bye-laws of a public corporation. Within the limits of the law, companies are at liberty to frame their own Articles of Association, but a large number of limited companies find it convenient (and economical) to "adopt" the model set of Articles drawn up by Parliament, and known as "*Table 'A.'*"

The Articles of all limited companies are open for inspection at Somerset House, and any person having business relations with a company is held in law to be aware of the provisions in its Articles of Association. Alterations in the Articles can only be made by "*Special Resolution*." See "*Resolution*."

Before granting an "*official quotation*," the London Stock Exchange requires certain provisions in the Articles of the company concerned; for example, that the non-forfeiture of dividends is secured, and that the "*common form of transfer*" is used. See also "*Listing*."

ASSESSMENT. An American expression for a demand made upon the holders of shares and bonds of a company in financial difficulties. Although shares have been long since fully paid up, an *assessment* may be made of, say, \$30 per share to provide fresh funds for the concern. There is no legal obligation on the shareholder to pay an assessment, but if he does not pay he ceases to have any claim to future profits of the company.

ASSETS. (*Fr.* l'Actif; *Ger.* die Aktiva.) A book-keeping term signifying property and claims as opposed to debts and other obligations. A Balance Sheet consists of a statement of liabilities and assets at a given date, and ability to "*read a balance sheet*" largely depends upon a proper appreciation of the relative value of different categories of assets. "*Liquid Assets*" are assets easily realisable, and actual cash in hand or at bank. The use of the term may be illustrated by a dictum of the Chairman of the Sun Insurance Company that "fire funds have to be much more liquid than life funds." See also "*Liquid Assets*."

ASSIGNEE. (*Fr.* Cessionnaire; *Ger.* Kurator or Cessionær.) The person or party to whom anything is assigned, or allotted; anyone appointed to discharge a given duty, as the distribution of a bankrupt estate, or the care of a deceased person's property.

ASSURANCE. (*Fr.* Assurance; *Ger.* Versicherung.) Often used

as synonymous with "*Insurance*" (*which see*). There seems, however, a tendency to confine the meaning of "*Assurance*" to particular forms of "*Insurance*," namely, where the contingency provided against is certain to materialise sooner or later. Thus, a person who insures his life is bound (*sauf le cas de force majeure !*) to die in the long run, and hence the growing tendency to talk of "*Life Assurance*" as distinct from, say, "*Fire Insurance*," as the great majority of fire risks never eventuate.

ATTESTATION. (*Fr.* Attestation: *Ger.* Bezeugnung.) The formal witnessing of the signature of a deed or declaration by some person authorised to perform that function. Any person whatever may witness, or attest, the signature of another, but in the case of deeds, transfers or statutory declarations it is more usual to employ a Notary, or to make the attestation in the presence of a Magistrate or other public functionary, so that it may have recognised force in a court of law. The most usual and complete form of attestation is: "Signed, sealed and delivered by the said — in the presence of —." If the declaration is not under seal, it is sufficient to say: "Witness to the signature of the said —."

ATTORNEY, POWER OF. (*Fr.* Pouvoir or Procuration; *Ger.* Vollmacht.) A document authorising some person named therein to act in place of the party signing the document. A *General Power of Attorney*, as the name implies, is one which confers upon the person nominated therein the right to represent and act for the party, conferring the Power under all circumstances and irrespective of all consequences. Business men and companies, however, are very chary of granting general powers of attorney, and such Powers are as a rule "*Special*," that is to say, valid only for certain strictly defined acts. A *Proxy* given for one particular meeting is an instance of a very limited Power of Attorney.

A person exercising rights vested in him by Power of Attorney is often referred to as an "*Attorney*," which latter term does not necessarily signify a man of the law.

The following is a form of power of attorney used to obtain payment of an annuity from an Assurance Company :

KNOW ALL MEN BY THESE PRESENTS that I, A. B., in the county of — have made, ordained, constituted and appointed, and by these presents do make, ordain, constitute and appoint C. D. and E. F. jointly and severally my true and lawful attorneys or attorney for me in my name and behalf, to ask, demand, sue for, recover and receive of and from the cashier, treasurer, or whom else it may concern of the — Assurance Company, a certain annuity granted for the remainder of my life by policy No. — of £100 per annum, payable in half-yearly instalments, the first whereof became due the 1st day of January, 19—. And upon payment or receipt of the said annuity, as

the aforesaid half-yearly payments shall respectively become due for me, the said constituent, and in my name to make and give good and sufficient release and discharge for the same. And upon non-payment of the same for me, the said constituent, to take and use all such lawful ways and means for the recovery thereof as the said constituent might or could do were I personally present. And generally in the premises to do, perform, execute and accomplish all such acts, deeds, matters and things whatsoever as my said attorneys, or either or any of them shall judge, see or think fit and necessary to be done in the premises as fully and effectually as I, the said constituent, might or could do were I personally present; and I, the said constituent, do ratify and hereby promise to allow, ratify, confirm and hold for good, effectual, and valid in law, all and whatsoever my said attorneys, or either or any of them shall lawfully do or cause to be done in and about the premises by virtue of these presents,

In witness whereof, I, the said A. B., have hereunto set my hand and seal this day of one thousand nine hundred and .

A. B.

Signed, sealed and delivered
in presence of

G. H.

K. L.

AUCTION. (*Fr.* Vente aux enchères; *Ger.* Auktion.) An ancient form of salesmanship, still widely employed, and definitely recognised by several Acts of Parliament. An *auction* is a sale conducted by a licensed "*auctioneer*" on the principle of letting (or, ought one to say, *inducing*?) the persons present outbid each other, and then "*knocking down*" the goods to the highest bidder. The *Sale of Goods Act* (1893) merely consolidates long-standing commercial usage in the matter of auction procedure by enacting that a bid may be retracted before, but not after, the fall of the auctioneer's hammer; likewise, that if the seller reserves the right to bid or to employ a bidder on his behalf, or if there is a reserve price, such reservation must be expressly stated at the commencement of the auction.

The Mart, in Tokenhouse Yard, London, is, perhaps, the best-known auction centre in the world. Thither the public are invited unreceasingly, nay, implored, to wend their way; but no less important are other auction marts in London to which the public are not asked (*e.g.*, Covent Garden and Billingsgate), or even not admitted (*e.g.*, the Commercial Sale Rooms in Mincing Lane).

Dutch Auction is a term applied to the procedure of the gutter merchant, who names a fancy price for his article and then gradually reduces the figure until one of the crowd agrees to buy.

AUDIT. (*Fr.* Audition; *Ger.* Buecherrevision.) The examination and authentication of accounts. All firms of standing have their

books periodically audited, partly to ensure that they are correctly kept and that no embezzlement or dishonesty has occurred, partly also that the auditors may have opportunity to suggest improved methods of accountancy.

In the case of limited liability companies the law provides that their books shall be submitted to audit and has instituted elaborate safeguards to make the auditors free to convey their candid opinion to the shareholders without obstruction from Directors. Auditors must be elected at each annual general meeting; they have right of access to the books, accounts and vouchers of the company *at all times*, and on every balance sheet published there must be an auditors' report, stating (i.) whether they have obtained all the information and explanations they have required, and (ii.) whether the balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of their information and the explanations given to them.

AVERAGE. (*Fr.* Avarie; *Ger.* Havarie.) Damage or loss sustained by ship or cargo. From the point of view of the *incidence* of such damage or loss, an important distinction is made between *General* and *Particular Average*.

Where ship or cargo are damaged during a voyage, or parts of the vessel or cargo washed away by storms, such damage or loss falls upon the parties directly concerned, whether owners of the ship or cargo (being, of course, under normal circumstances covered by insurance). Such damage or loss is termed *Particular Average*.

Where, however, parts of the ship or cargo are, although themselves undamaged, deliberately *jettisoned* (thrown overboard) to lighten the vessel with a view to saving the rest of the cargo and the vessel itself from total loss, it would be obviously unfair that the owners of the things which happened to get thrown overboard should suffer the whole loss. The "Average" in such case is said to be "*General*," and by very ancient maritime custom is distributed over the respective owners of ship and cargo *pro rata* to the financial interest they had in the saving of the vessel. It is commonly stipulated in marine insurance policies that General Average shall be calculated according to "*York-Antwerp*" Rules (fixed in 1877 by a conference of underwriters). When a vessel carries a general cargo there may be several hundreds of different owners represented, and a General Average calculation is in such a case an extremely complicated affair, sometimes running to quite a bulky volume; these intricate statements are prepared by experts known as "*Average Adjusters*."

The great risk attendant upon the sea transit of certain goods causes them to be excluded from insurance on the ordinary marine policy. Thus, corn, fish, salt, fruit, flour and seed are "warranted free from average, unless general or the ship be stranded, sunk or burnt,"

which means that no claim will be met for *particular average* unless the whole ship comes to grief. On sugar, tobacco, flax, hides and skins particular average will not be indemnified unless it amounts to at least 3% of the value, or, as technically expressed, they are "warranted free from average under 3%." On no goods is particular average indemnified unless amounting to 3% of the value; the purpose of this clause is to save the insurance companies from vexatious claims for small amounts. If 3% would represent an appreciable sum, a shipper may protect himself by insuring his goods in separate specified lots, in which case he could recover particular average in respect of each single lot damaged to the extent of 3% of its value. Hence such a clause as "Average payable at and over 5% on each chest *as if separately insured*" See also "*Lloyd's Average Bond.*"

(2) The term "*Average*" has a special technical meaning in regard to Stock Exchange transactions. If A buys 100 Steel Corporation shares at \$110 and the price later goes down to \$100, he can, so to speak, reduce the buying price of the 100 already bought by purchasing another 100 shares at \$100 and considering the whole operation as a purchase of 200 shares at \$105. In entering into the second transaction A is said to *average* the first.

B

BACKWARDATION. (*Fr.* Déport; *Ger.* Deport.) Under ordinary circumstances the buyer of securities has to pay a "contango" (*which see*) for keeping a purchase open from one Settlement to the next. This contango rate (less the portion absorbed by brokers and intermediaries) is received by the seller as a consideration for not receiving forthwith the proceeds of the sale. In other words, the seller expects a *rate* for keeping the bargain open; however, if a large number of people are on the "bear tack" (see "*Bear*"), the general principle of demand and supply causes the contango rate to dwindle to nothing or even become a minus quantity. That is to say, instead of receiving a "*rate*" for a sale kept open, *sellers* may have themselves to *pay* a rate, and this is called Backwardation, or simply "*Back.*" To express the idea in another form, continuation money is called "*Contango*" when paid by the buyer, and "*Backwardation*" when paid by the seller.

BAILMENT. (*Fr.* Nantissement; *Ger.* Verwahrung.) A practically obsolete legal expression signifying the deposit of goods with a person (called the *Baillee*) for safe custody or for some other purpose.

BALANCE OF TRADE. (*Fr.* Balance du Commerce étranger; *Ger.* Handelsbilanz.) A term used, somewhat loosely, to denote the

outstanding difference of a country's foreign commerce. Sometimes it applies to the country's trade with *all* other nations, sometimes with only one stated country; sometimes, again, it is considered equivalent to the difference between the money value of total imports and exports, whilst at other times it means a very different thing, namely, the *balance of indebtedness*. See "*Foreign Trade*," "*Foreign Exchanges*."

BALANCE TICKET. See "*Certified Transfer*."

BANK BILL. (*Fr.* Billet tiré ou endossé par une banque; *Ger.* Bankwechsel.) A Bill of Exchange drawn, endorsed or accepted by a bank, and therefore, *prima facie*, a "safe" bill.

BANK CHARTER ACT. An Act of 1844 which constitutes a well-known landmark in banking history. The lack of control over the issue of bank-notes prior to that date was generally considered to be a chief cause of commercial crises. The *Bank Charter Act* drastically restricted the rights of the ordinary banks to issue notes (see "*Bank of Issue*"), and required a sharp demarcation of the business of the Bank of England into two departments: the "*Issue Department*" and the "*Banking Department*." Save for the compulsory preparation of a weekly "*Return*" (see "*Bank Return*"), the "*Banking Department*" was left to be conducted on ordinary business principles by the Governors, but the activities of the "*Issue Department*" were categorically defined. With the object of ensuring that the amount of notes in circulation at any time should conform to the amount of gold in the country, it was provided that, beyond a fixed maximum of £14,000,000, every note issued should be secured by the deposit of an equal amount of gold (coin or bullion). The idea was that under no circumstances was the total of notes in circulation likely to fall below £14,000,000; this amount, however, was not left unsecured, being covered as to £11,015,100 by a long-standing debt of the Government to the Bank, and as to the balance by securities. The right granted to the Bank of England by the Bank Charter Act to increase its note issue against *securities* to the extent of two-thirds of the lapsed issues of country banks (see "*Bank of Issue*") accounts for a gradual increase in the amount of notes issued otherwise than against gold from £14,000,000 in 1845 to £18,450,000 at the present time. These remarks refer, of course, to Bank of England notes only, the issue of Currency Notes by the Treasury being quite a different matter.

The underlying principle of the Bank Charter Act, that the expansion and contraction of note issue should follow the movements of gold, has been proved by experience to be economically unsound, as in times of crisis and monetary stringency it has been found advisable to increase rather than diminish the note issue. For this very reason the Bank Charter Act has on three occasions been suspended since 1844, to alleviate crises (1847, 1857 and 1866) by enabling the Bank to augment its note issue without handing over to the Issue Department

the gold equivalent. However, on those occasions the additional notes were covered by securities, although not by gold, so that the suspension of the Bank Act did not imply the issue of unsecured notes : nor must it be confused with “inconvertibility,” as the suspension of the Bank Charter Act on the three occasions in question never denied to holders of Bank of England notes the right to present them at the Bank for payment in gold.

On August 6th, 1914, a “Currency and Bank Notes Act” gave the Treasury authority to suspend the Bank Charter Act, but in point of fact the suspension did not take place. By the time the banks reopened on the 7th August (they had been closed since the Bank Holiday, August 3rd) it had been decided to issue Treasury Notes. See also “*Circulation*” and “*Currency Notes*.”

BANK HOLIDAYS. (*Fr.* Fêtes Légales ; *Ger.* Gesetzliche Feiertage.) An Act introduced by the late Lord Avebury (1871) appointed four days during the year (in addition to Sundays, Christmas Day, and Good Friday) as general public holidays, on which banks need not make or receive payments. These days are Easter Monday, Whit-Monday, the first Monday in August, and “Boxing-Day” (26th December). It will be noticed that only one of the four days is actually fixed by date, and the inconveniences of Easter and Whitsun being *movable feasts* has led to a movement—so far unsuccessful—for *fixing* the first two bank holidays by Act of Parliament. See also *Appendix*.

BANK, MORTGAGE. (*Fr.* Banque Foncière ou Hypothécaire ; *Ger.* Hypothekenbank.) A term used to particularise banking institutions which make a speciality of advancing loans on the security of mortgages. In this country—where banking interests are almost purely commercial—such banks are practically unknown, but they play an important part in newer lands, like the Argentine, or countries of small peasant holders, like Egypt.

BANK-NOTE. (*Fr.* Billet de Banque ; *Ger.* Banknote.) (Promissory) Notes issued by a bank, and circulating amongst the public as currency. In England the term is used as equivalent to “Bank of England Note,” the so-called “country-notes” of other issuing banks (see “*Bank of Issue*”) being a negligible quantity. In spite of a prolonged agitation for the issue of £1 Bank of England Notes, the lowest denomination remains £5, although the former advocates of a smaller unit have since been entirely vindicated by the enormous circulation of £1 and 10s. Treasury Notes during and since the war of 1914-19.

Bank of England Notes are legal tender in England and Wales. See also “*Circulation*,” “*Bank Return*,” etc.

BANK OF ENGLAND. (*Fr.* Banque d'Angleterre ; *Ger.* Bank

von England.) Probably the most famous banking institution in the world, the Bank of England originated in 1694 in a decidedly political atmosphere, and obtained its Charter on the strength of a loan to the Government. Ever since, it has remained the institution to which the Government entrusts the handling of its funds, and has been the subject of several Acts of Parliament (notably the "Bank Charter Act," *which see*); but it is not a state bank as that term would be understood on the Continent. The management rests with a Board, composed of a Governor, a Deputy Governor and twenty-four Directors, the Bank being, in fact, a joint stock company by special Charter. By an anomaly, characteristically English, it is expressly stipulated that *no banker* can become a Director of the Bank of England; the reason for this curious provision is to be found in the opposition which the Bank had to meet in its earlier years, and in the supposed danger of giving a foothold to outside banking interests.

Apart from the functions of its "Issue Department" (see "*Bank of Issue*" and "*Bank Charter Act*"), the Bank of England, in its "Banking Department," acts not only as the Bank of the Government, but also as the "*bankers' bank*." All the joint stock banks of the country keep their balances at the Bank of England, which is thus the ultimate gold reserve for the whole country, with its vast credit system. A controversy has raged for years, and continues to rage, on the subject of the gold reserve of the Bank of England and the duty of the national Government, the Governors of the Bank and the managements of the big joint stock banks, in relation thereto. Technically the Governor of the Bank of England is responsible to no one but the stock-holders of the Bank, but by unwritten law he virtually acts as custodian of the national credit, strong in the knowledge that he can always command Government support in case of need. There is no suspicion of cant in the statement that, whether in regulating gold movements by the weekly fixing of the Discount Rate (see "*Bank Rate*") or in asking the Government to suspend the Bank Act in case of emergency, the Court of the Bank of England is guided by the financial needs of the country as a whole, and not by any considerations of dividend to the holders of Bank of England stock. See also "*Bank Charter Act*," "*Bank of Issue*," "*Bank Rate*," "*Bank Return*," "*Gold Reserve*," etc.

BANK OF ISSUE. (*Fr.* Banque qui peut émettre des billets; *Ger.* Notenbank.) A bank which is empowered to issue *Notes*. Originally the issue of notes was the "*raison d'être*" of banks, but it has in course of time been found necessary to centralise the issue of paper money, and in this country the Bank of England has virtually the monopoly of bank-note issue. The Bank Charter Act of 1844 gave the death-blow to promiscuous note issue. No bank formed since that date has any right whatever to issue notes, and

of the banks then in existence only those carrying on their business at no place within sixty-five miles of London can retain the right to issue notes. (An exception in the case of banks conducted as private partnerships of not more than six partners—which might continue to issue notes outside the three mile-radius—is of no practical importance.) As many institutions which were “country” banks prior to 1844 have since amalgamated with London banks or themselves opened offices in the Metropolis, the issue of “country notes” has steadily dwindled. A right of issue once lapsed can never be revived. In 1844 there were 279 banks of issue (exclusive of the Bank of England), with an authorised circulation of over £8,500,000: there are now less than thirty banks of issue, with an aggregate note circulation of about £500,000.

BANK POST BILL. (*Fr.* Mandat de Banque d’Angleterre; *Ger.* Anweisung der Bank von England.) The name applied to a special form of promissory note issued by the Bank of England (usually payable seven days after sight) for any amount from £10 to £1,000, and serving as a form of remittance. The money to be remitted is paid in at the Head Office of the Bank of England (the branch offices do not issue such bills), and the applicant receives in return the Bank Post Bill, which he can then remit to the recipient. The Bill is made out for the *exact amount paid*, the seven days’ interest representing the remuneration of the Bank on the transaction. Bank Post Bills originated in 1738 in consequence of the frequent robberies of the mail which had occurred for some time previous to that date, the avowed intention being “that in case of the mail being robbed, the proprietor might have time to give notice.” The following is the form of a Bank Post Bill; the portions in capitals are printed; fractional sums are written in at the time the Bill is applied for, as are also the names of the parties.

BANK OF ENGLAND POST BILL.

No. London.....19....

At seven days’ sight I promise to pay this my Sola Bill of Exchange to or Order, ONE HUNDRED sterling value received of

For the Governor and Company of the
Bank of England,

£

BANK RATE. (*Fr.* Taux Officiel de la Banque d’Angleterre; *Ger.* Diskontsatz der Bank von England.) The official *minimum* rate at which the Bank of England will discount Bills. The Rate, as fixed by the Directors of the Bank of England, is announced about midday every Thursday (or in special emergencies at other times), and is a matter of considerable importance for the financial and commercial

community, not only in this country, but also on the Continent and in America. The rate of discount in the "open market" tends to move in sympathy with the official Bank Rate, so that when the Bank Rate is raised discounts generally will "*harden*," and the foreign exchanges move in favour of this country. (See "*Foreign Exchanges*.") Not only, however, does a rise in the Bank Rate tend to attract gold from abroad; the arrangement by which the joint stock banks automatically raise their deposit rates with a rise in the Bank Rate tends also to bring money to the banks which would otherwise be employed in trade or on the Stock Exchange. On the other hand, high rates of discount (and of interest) tend to restrict the activities of business houses employing borrowed capital, and likewise tend to depreciate Stock Exchange values, partly because the holders of stocks with low yields will sell out to take advantage of high interest rates elsewhere, and partly because "*Contango Rates*" will automatically advance, and such advance will discourage speculative operations and contango business generally.

Prior to August 1914 the facility with which gold could be withdrawn from London necessitated a very sharp watch being kept on the discount market, and comparatively frequent changes in the Bank Rate. The following figures illustrate the relative frequency of changes in the English Bank Rate:

AVERAGE ANNUAL NUMBER OF CHANGES IN BANK RATE.

<i>Years.</i>	<i>England.</i>	<i>France.</i>	<i>Germany.</i>
1886-1897	6.75	0.727	3.00
1898-1907	4.80	0.800	4.20

During the war (1914-19) the Bank Rate was controlled by the Government, and after April 1917 remained at 5%, whilst the French and German rates were maintained at 5% from 1914 onwards.

The more stable official discount rates of France and Germany were held to be advantageous to trade, as relieving the commercial community from the uncertainty attendant upon frequent changes, but England enjoyed the counter-advantage of being the "only free market for gold."

From the point of view of the Directors of the Bank, the official rate depended upon the proportion borne by the Reserve (*i.e.*, the notes and coin in the "Banking Department") to the total Deposits, and in practice the rate ranged in normal times between 5% and 3%, with 10% (1866 and August 1914) and 2% (1868) as outside figures.

(For Table showing Average Bank Rates of England, France, and Germany since 1849, see *Appendix*.)

BANK RETURN. By the Bank Charter Act (*which see*) the Bank of England is required to prepare for publication in the *London Gazette* "an account of the amount of Bank of England Notes issued by the issue department of the Bank of England, and of gold coin and of

gold and silver bullion respectively, and of securities in the said issue department, and also an account of the capital stock, and the deposits, and of the money and securities belonging to the said governor and company in the banking department of the Bank of England."

In point of fact the Bank Return is made public on Thursday mornings, simultaneously with the Bank Rate (*which see*), and although of the two the Rate is of more immediate interest to the business community, much importance is also attached to the figures disclosed in the Bank Return—particularly the relation of *Reserve to Deposits*.

The following is a specimen Bank Return, which will be best elucidated by briefly discussing each item *seriatim* :

ISSUE DEPARTMENT.

Notes Issued	£104,000,000	Govt. Debt	£11,015,100
		Other Securities	7,434,900
		Gold Coin and	
		Bullion	85,550,000
		Silver Bullion	—
	£104,000,000		£104,000,000

BANKING DEPARTMENT.

Proprietors' Capital	£14,553,000	Govt. Securities	£43,143,806
Rest	3,364,409	Other Securities	81,745,550
Public Deposits	17,881,009	Notes	25,294,030
Other Deposits	116,554,700	Gold and Silver Coin	2,183,544
Seven Day and other			
Bills	13,812		
	£152,366,930		£152,366,930

THE ISSUE DEPARTMENT:

Notes Issued. Notice that of the total of £104,000,000 issued, no less than £25,294,030 in Notes remains in the Bank's possession (in the *Banking Department*), so that the active Bank of England note circulation in the country is only about £78,750,000.

Government Debt, Other Securities and Gold Coin and Bullion. These items are dealt with under "*Bank Charter Act*" and "*Bank of Issue.*"

THE BANKING DEPARTMENT:

Proprietors' Capital. (See "*Bank Stock.*")

Rest. The balance of the liabilities' side of the account. It belongs, of course, to the stockholders of the Bank, and as to £3,000,000 may be regarded as reserve capital, since the "*Rest*" is never allowed to sink below that figure; the excess over £3,000,000 is the sum from which the stockholders receive their periodical dividends.

Public Deposits. This does not mean deposits received from the general public, but *Government funds*, the Bank of England being the bank for the National Exchequer, the India Council, the National Debt Commissioners and the Post Office Savings Bank.

Other Deposits. These consist mainly of the moneys of wealthy business houses and the balances kept at the Bank of England by the various joint stock banks. Unfortunately it is impossible to tell from the Return what is the total of the joint stock bank deposits with the Bank of England, although this is a point of vital importance in any attempt to examine the real basis of our enormous credit system. The Bank of England is "*the bankers' bank*," but the deposits made by joint stock banks are by no means reserves pure and simple, as they are drawn upon to adjust the daily clearings (see "*Bankers' Clearing House*"). For many years the joint stock banks have been admonished to make better provision for reserves; it would seem that they have, at last, begun to build up secret reserves of their own, outside of the Bank of England. See also "*Gold Reserve*."

Seven Day and Other Bills. This small item is in the main made up of "*Bank Post Bills*" (*which see*).

Government Securities. Not to be confused with the item of "Government Debt" in the Issue Department. They consist partly of stock purchased in the market or held for customers, and partly of securities pledged by the Government to cover temporary advances to the Treasury.

Other Securities. Foreign Government stocks, Railway Debentures, First Class Bills and other negotiable instruments selected at the discretion of the Directors in the exercise of their ordinary banking functions.

Notes. Absolutely equivalent to gold coin, since the Issue Department is bound to give gold coin in exchange for its Notes on demand.*

Gold and Silver Coin. This item, together with the amount of Notes in the Banking Department, constitutes what is always known as "*The Reserve*," and the proportion which this Reserve bears to the total of Public and Other Deposits is one of the most important factors in the country's financial stability. The Reserve is liable to depletion (a) by internal, (b) by foreign demand for gold. The internal demands are seasonal (notably the well-known "*Autumnal Drain*," when additional currency is required for crop movements) and cause no particular anxiety; foreign demands for gold, on the other hand, are jealously watched, and, if necessary, combated by a rise in the Bank Rate (*which see*). See also "*Drain of Bullion*."

BANK SHARES. (*Fr.* Actions de banque; *Ger.* Bankactien.) The shares of the various joint stock banks are sufficiently important to enjoy a special heading in the Stock Exchange Official List. They

* The legal convertibility of Bank of England notes was not affected by the war of 1914-1919.

have the characteristic of being often only a certain amount paid up, the uncalled capital being, of course, an additional safeguard to the banks' credit. The percentage uncalled on bank shares has a two-fold effect : first, it causes the banks to examine very closely the probable means of persons designated as transferees of their shares; secondly, in spite of particularly "*safe*" dividends, bank shares afford a relatively high yield, as the contingent liability of the shareholder for unpaid capital is a drawback, and keeps the price of such shares comparatively low.

BANK STOCK. The capital of the Banking Department of the Bank of England. Bank Stock may be dealt in any amounts, but it only very occasionally changes hands. Dividends have for many years been at the rate of 10% p.a.

BANKER'S CHEQUE. (*Fr.* Cheque de banque; *Ger.* Bankier-check.) Cheques drawn by a bank on the Bank of England. If, under certain circumstances, A will not accept B's cheque in settlement of a payment due, B can obtain from his bank, C, a cheque drawn by C on the Bank of England; such banker's cheque is, of course, absolutely above suspicion. Frequently such cheques are called "Banker's Drafts."

BANKERS' CLEARING HOUSE. (*Fr.* Comptoir de virement des banques; *Ger.* Bankenabrechnungsstelle.) An institution run by the leading London banks for the purpose of adjusting their mutual indebtedness in respect of cheques drawn by their customers or agents. Cheques held by one *clearing bank* on another clearing bank are not presented over the counter of the latter for encashment, but are forwarded to the Clearing House.

There each bank has its separate desk and representatives; the amounts of cheques held by banks A, B and C on bank N are credited by the representative of N to A, B and C respectively, whilst at the same time the representative of N debits banks A, B and C with the amounts of cheques N holds on those institutions. The net result is that only the *differences* between the total debits and credits have to be settled, and this is done by drafts on the Bank of England, so that the whole of the cheque circulation of the clearing banks is daily compensated without any cash passing.

The total of the *daily* clearings has grown by leaps and bounds, and now averages about £125,000,000. The multiplicity of transactions involved in this total makes deductions therefrom very difficult to substantiate, but the bulk of the turnover probably represents financial, as distinct from purely commercial, dealings.

It is held by critics of the joint stock banks that the balances they keep at the Bank of England are only sufficient to meet their Clearing House obligations, and are therefore really not *reserves* at all in the proper sense of the term. See "*Gold Reserve.*"

Of the non-clearing banks the most important are the London Offices of big foreign banks, the *Crédit Lyonnais*, *Société Générale*, *Guaranty Trust Co.* of New York, etc.

BANKER'S DRAFT. An order drawn by a branch bank on its head office for the payment to a third party of a stated sum.

BANKING. (*Fr.* Opérations de banque; *Ger.* Bankwesen.) The essential function of the banker is the employment of money. Originally safe custody was the prime consideration, but nowadays no one can confuse a safe deposit with a bank. When the City Manager has the daily analysis of the bank's liquid assets placed before him in the morning, he does not give instructions that they shall be guarded in the vaults, but turns over in his mind the amounts he can lend to the various top-hatted borrowers who will come into his parlour before midday. These borrowers are mainly bill brokers, Stock Exchange firms, and financial houses who, in turn, will employ the same money at higher rates elsewhere.

The bill brokers are the most satisfactory borrowers from the point of view of the banks; the money lent to them is usually lent "*at call*" (*i.e.*, the bank can require it back at any time) or "*short notice*." As security the bill brokers deposit bills which they have discounted. Loans to Stock Exchange firms usually run from one Stock Exchange Settlement Day to the next (*i.e.*, about a fortnight), and are secured by readily marketable stocks and shares ("*Floaters*"), being used to finance "*contangoes*" (*which see*). The financial houses borrow usually for longer periods, and deposit as security either stocks and shares or documents representing goods, or the loan may take the form of discounting three-months bills.

The big London banks hold deposits totalling over £2,500,000,000. They employ their resources in something like the following proportions:

Cash in hand and at Bank of England	..	..	15 — 16%
Money at Call (lent to bill brokers)	..	..	15 — 17%
Investments (Govt. stocks, etc.)..	..	..	13 — 14%
Loans, overdrafts and discounts..	..	..	about 50%
Premises, etc.	..	..	say, 2½%

With big customers engaging in extensive financial operations, with loans constantly falling in, with dividend cheques and coupons handed in for collection, and with the commercial world drawing cheques by the thousand, the banker's funds are in a constant state of flux, and the art of successful banking lies in accurately forecasting the incomings and outgoings of each day. The bank manager must not allow his liquid assets to be depleted; on the other hand, *money over* at the end of the day represents a loss of interest and causes the Directors to frown.

In its economic aspect the banking world represents a highly specialised distributing agency for capital.

BANKING COMPANIES. (*Fr.* Compagnies de banque; *Ger.* Bank-Gesellschaften.) Under the provisions of the Companies Acts, no company or partnership of *more than ten persons* may conduct banking business unless registered under those Acts or a special Act of Parliament. All limited companies doing banking business must twice a year exhibit at their registered offices a prescribed form of return, showing their capital (authorised, issued, and paid-up), and details of their liabilities and assets.

Banks of issue registered as limited companies are not entitled to limited liability privilege in respect of their note issues; in other words, the shareholders are liable jointly and severally for the payment of notes issued.

BANKRUPTCY. (*Fr.* Faillite; *Ger.* Bankrott.) Insolvency of which cognisance has been taken by the Courts. It ought to be counted unto the business world for righteousness that a merchant who finds himself unable to meet his engagements, and who thereby involves fellow-merchants in serious losses, is not punished or banished for ever from the commercial community, but permitted to start again within a short time with a clean slate, provided his is a genuine case of business misfortune.

This clemency (and it is truly remarkable with what philosophy a creditor will pocket 5s. where he had every right to expect £1) is not unnaturally taken advantage of from time to time by unscrupulous people, but it has been sought by legislation to prevent, as far as possible, fraudulent insolvents from enjoying the immunities accorded to a debtor who has come to grief through no culpable fault of his own.

The essential features of bankruptcy are that the control of the debtor's property is taken from him, the whole of his present assets are divided amongst his creditors, and then, unless fraud is proved, the bankruptcy is removed, the balance of indebtedness wiped out, and the debtor is free to begin again.

Bankruptcy is a matter for the Courts, and a case of bankruptcy comes before the Courts either at the instance of the debtor himself or on the motion of a creditor. The *petitioning creditor*, as he is called, must show that an amount of at least £50 is involved. Thus is the bankrupt removed to a higher social plane than that of the familiar "I can't pay" tenant sued in the County Court for a few weeks' rent; even bankruptcy is a privilege reserved for the well-to-do!

It is not necessary to enlarge upon the legal provisions as to what constitutes an "*act of bankruptcy*," nor upon the many regulations affecting the administration of a bankrupt estate. Suffice it to say that a searching inquiry is made as to the honesty of the debtor's

intentions, the truth of his disclosure of assets, and his general willingness to ensure the largest possible *dividend* to the creditors. If the case proves to be genuine, the debtor ultimately obtains an "*Order of Discharge*," which releases him from his old obligations and enables him to start afresh. If, for any reason, the Discharge is withheld by the Court, the debtor may not take new credit for an amount of more than £10 without disclosing the fact that he is an *undischarged bankrupt*.

An amending Act, which came into force in April 1914, provides, *inter alia*, that the Summary Jurisdiction Acts shall apply to bankruptcy offences under the Debtors Act, as, for instance, failure to make full *discovery* of affairs, concealment of debts, mutilation of books, obtaining credit by fraudulent representation, rash speculation, extravagance, etc. Such offences may now be tried summarily before a stipendiary and sentence of up to six months imprisonment imposed. Another important innovation is that an *undischarged bankrupt* may not engage in trade under an assumed name without disclosing to all with whom he has dealings his former trade name. See also "*Default*."

BARRATRY. (*Fr.* Baraterie; *Ger.* Baratterie.) An ancient term still employed in Bills of Lading as one of the long list of catastrophes for which the shipowners are not liable. It signifies damage done to a ship, or unnecessary risks run, by the captain or crew, unwarranted interference with any of the cargo, and so on.

BARTER. (*Fr.* Troc; *Ger.* Tauschhandel.) Direct exchange of commodities without reference to any monetary standard of value. A primitive and obviously inconvenient method of trading, the disadvantages of which have so often been illustrated by ludicrous examples that the very name conjures up a contemptuous smile.

As analysed by the economist, barter, as a means of exchange, suffers from three drawbacks:

(a) *A want of coincidence.* The difficulty is to find two persons whose disposal of possessions suits each other's wants. An act of barter requires a *double* coincidence, for if A wishes to dispose of x for y he must find a person B who has y , is willing to dispose of y , and at the same time wants x .

(b) *A want of measure of value.* Given n articles, there will be $\frac{n(n-1)}{2}$ possible ratios of exchange, whereas if any one commodity is taken as a standard we require only $(n-1)$ quotations.

(c) *A want of subdivision.* Living animals and many other commodities will readily suggest themselves which could not be divided for purposes of exchange.

Of course, direct exchanges of commodities for other commodities or for services are of everyday occurrence, but in these cases the parties to the exchange have very definite ideas as to the *money value* of the

respective commodities or services, and therefore such transactions are not correctly described as barter. See also "*Money*."

BEAR. (*Fr.* Baissier; *Ger.* Baissier, or Jemand welcher fixt.) A person who sells securities or goods with the intention of re-buying them with a profit later. Thus, if someone *goes bear* of Rio Tinto shares at 70, and is later able to buy them back at 65, he makes a profit of £5 per share, less brokerage, loss of interest, if any, and so on. It is often implied that a Bear is necessarily a person who sells what he does not possess, but this is not always the case. If a holder of railway stock foresees strikes or other troubles ahead, it is a perfectly legitimate precaution on his part to sell his stock and *come in* again by and by when the price has declined.

The speculative Bear, that is to say, the person who sells what he has not got, must either buy back before Settlement Day (see "*Stock Exchange*") or borrow stock to make delivery with. In this the Bear runs a considerable risk, particularly if others are playing the same game, for a *bear attack* in any force cannot long be concealed, and if the *big interests* take concerted action to get the stock in question under their control, there will be a *bear squeeze*, which means that the Bears find themselves unable to borrow stock for the settlement and have to buy back at, perhaps, 10, 20, or even 30 points higher than they sold.

The Bear is never so much in evidence as the Bull (*which see*). Mathematically, there is an even chance either way; that is to say, securities in the abstract are as likely to fall as to rise, but there are two reasons why *Bear* operations are less popular as a form of speculation than *Bulling*. In the first place the Bear runs a greater risk. The *maximum loss* the Bull can sustain is the price at which he deals, but it is at any rate theoretically possible for the Bear to lose many times the price he sells at. To take a concrete case: Mr. Bull buys Toolong Cummin Rubber shares at 15s.; his *maximum risk* is 15s. (supposing the shares to be fully paid); if the concern proves an utter fiasco and there is not the remotest chance of getting a bid, Mr. Bull can anyhow get clear of the wreck by paying up his 15s. per share, and, of course, any contango charges he may have incurred. Mr. Bear, on the other hand, if he sells Toolong Cummin shares at 15s. in the fond hope of seeing them slide to 5s. is legally liable not to pay a certain sum, but to deliver certain documents; now suppose there is a *boom* or a "*squeeze*" and Toolongs go to £3. When the settlement comes round, poor Bear finds he cannot *borrow* Toolongs; he *must* deliver the shares he sold, and to do this must buy back with a loss of 300%.

A second and potent reason for the comparative scarcity of the Bear is to be found in the psychology of the human mind. "Hope springs eternal," and a merciful Providence has made men naturally more *bullish* than *bearish*.

BEARER. (*Fr.* Porteur; *Ger.* Inhaber.) *Bearer Cheque.* A cheque drawn in the form: "Pay to — or bearer." *Anybody* presenting such a cheque at the bank on which it is drawn is entitled to the sum specified therein, unless, of course, the cheque is crossed, when *anybody* can obtain payment of it through a bank. See "*Cheque.*"

Bearer Shares. In the ordinary way shares in a company are registered in the name of a certain holder, but a company may, if empowered in its Articles of Association, issue *bearer shares* (always referred to in the Companies Acts as "*Share Warrants to Bearer*"). A *bona-fide* holder of bearer shares has a perfectly good title to them whatever may have happened to them before they came into his possession. As a set-off against constructive loss of transfer tax by the issue of bearer shares, a thoughtful Exchequer has ordained that bearer share certificates must be *stamped*, whereas ordinary share certificates are not.

In spite of the ease of delivering or *taking up* bearer shares, as compared with registered shares, the former are not popular on account of the greater risk of misappropriation. There is, however, one class of shares largely dealt in on the London Stock Exchange which combines the good points of both registered and bearer shares, owing to the fact that, although technically registered shares, they *pass by delivery*. These are what are known as "*Yankees*," *i.e.*, the shares of the United States railroads, and "*industrials*," Canadian Pacifics, etc. Such share certificates are on the *face* of them made out to a certain registered holder, but at the *back* they are endorsed in blank by such registered holder, and they pass freely from hand to hand just as though they were bearer shares. The effect of this arrangement is that shares of this type are more often than not owned by persons who are not the registered holders at all. Dividends due thereon are paid by the companies to the *registered* holders, as here, and the *actual* holders claim the dividend from the registered holders, by presenting the certificates at the office of the latter, or their agents, for what is called "*marking*." That is to say, the certificates are stamped on the back "*Dividend claimed*" (date also mentioned), the numbers of the shares are duly noted, and after the dividend has been remitted from America the various claimants are paid dividend on the shares they presented for marking. This arrangement works well so long as the registered holders are firms of repute, and certificates in the name of such firms are known as: "*Good Names*." "*Bad Names*" is the term applied when such shares are registered in names of private individuals, unknown in Stock Exchange circles, the recovery of the dividends being troublesome, even if not problematical.

BETTERNESS (and **WORSENESS**). (*Fr.* Excès ou manque de pureté; *Ger.* Uebermasz oder Mangel von Feinheit.) These two

purely technical terms are used by refiners to indicate the quantity of *alloy* to be taken from, or added to, a piece of gold or silver to bring it to *standard fineness*.

In the "*standarding*" of gold, every fragment operated on is supposed to be divided into twenty-four parts, called *carats*. If such fragment, on being *assayed*, is found to contain twenty-two parts pure gold and two parts alloy (which may be either silver or copper), it is said to be of standard fineness, and is called "Standard Gold," being expressed as either 22 carats fine, 11/12 fine, '9166 or '916 $\frac{2}{3}$ fine. If the assay shows that the gold contains 22 $\frac{1}{2}$ parts of pure metal and 1 $\frac{1}{2}$ of alloy, it is said to be $\frac{1}{2}$ carat *better*. A bar containing 21 parts pure metal and 3 parts alloy is 1 carat *worse*. A quarter-carat is called a *grain*, and each grain is divided into eighths, but the cumbersome method of expressing betterness or worseness in these units has been superseded by the decimal (or *Millièmes*) system referred to below.

In the standarding of silver, the weight is estimated not in carats, as above, but in ounces and pennyweights. Standard silver contains 11 oz. 2 dwts. of pure metal in every 12 ounces, and 18 dwts. of alloy (copper or other *base* metal), or 222 dwts. of fine silver and 18 dwts. of alloy. English silver has had this degree of fineness from time immemorial, and is called the "*Ancient Right Standard*." It may be expressed as 222,240 fine, or '925 fine. If the assay yields 219 dwts. of pure silver and 21 dwts. of alloy, it is said to be 3 dwts. worse; or if 223 $\frac{1}{2}$ dwts. pure silver and 16 $\frac{1}{2}$ dwts. alloy, 1 $\frac{1}{2}$ dwts. better. This method of recording betterness and worseness of silver is open to the same objection as that above described.

The method most in favour for reporting the fineness of bullion is called the *Millièmes* system, since every piece of metal operated upon is supposed to be divided into thousandth parts.

BILL BROKER. (*Fr.* Courtier de change; *Ger.* Wechselmakler.) A person who specialises in dealings in bills of exchange. A bill broker must be an expert in discriminating between bills of all degrees of goodness; he must be acquainted with the standing and normal credit of the firms whose names are likely to appear on bills as drawers, drawees, or endorsers. Further, a bill broker must be perfectly "*au fait*" as regards the state of the money market (*which see*), as he conducts his business largely on borrowed capital, taking big advances from the banks on the security of some of his bills (*see* "*Banking*"). Notice that the banks do not *discount* the bills they take from a bill broker; they merely *hold* them as security for money lent "at call." The banks are always free to call in their loans to bill brokers, whose only resort then is the Bank of England.

BILL OF ENTRY. (*Fr.* Déclaration à l'entrée; *Ger.* Zollangabe bei Einfuhr.) See "*Entry*."

BILL OF EXCHANGE. (*Fr.* Lettre de Change; *Ger.* Wechsel.)

A Bill of Exchange is an *unconditional* order in writing, addressed by one party to another, requiring the party to whom it is addressed to pay on demand, or at a fixed or determinable future time, a "*sum certain*" in money to, or to the order of, a specified person, or to bearer.

The wording of a Bill of Exchange is somewhat as follows :

London, December, 19...

£2,000 :—:—

Three months after date pay (this Bill of Exchange) to Messrs. Ecksweye Brothers or Order the sum of two thousand pounds (sterling), value received.

(Signed) BIBBLER & MARTIN.

Messrs. Harrison, Smith & Co.,
Manchester.

The date entered on the Bill is important, as it determines not only the date of *drawing* the bill, but also the *due date*. The latter, however, is not exactly three months later than the date on which the bill purports to be drawn, but three months and *three days*, as, by law, *three days' grace* are allowed for the payment of all "*Inland Bills*" (*i.e.*, Bills payable in the United Kingdom) other than those payable "*on demand*" or "*at sight*." If the third day of grace happens to be a Sunday, Christmas Day, or Good Friday, the bill becomes due the day before, but if it is a Bank Holiday, the day after.

The amount usually appears twice on the face of the bill; once in *figures* at the top, and once in words in the body of the bill. The figure amount owes its insertion to the fact that it is convenient to be able to see at a glance for what amount the bill is drawn, but the word amount is legally the more important, and if there should be a discrepancy, the amount as written in *words* will be taken as the correct amount.

The maturity of the bill is determined by the words preceding the word "*pay*." The form used in the specimen above, namely, "*three months after date*," is a very common formula, as three months is, perhaps, the most usual period for which bills are drawn. If the bill is drawn at "*three months after sight*," the three months commence on the day the bill is accepted. See "*Acceptance*."

Identity of the Bill. In the case of "*Foreign Bills*" (*i.e.*, bills drawn in the United Kingdom on a firm abroad, or drawn abroad on a British firm), it is customary to indicate immediately after the word "*pay*" whether the bill is one of a "*set*" and, if so, which one. To obviate loss and inconvenience due to loss or miscarriage of a bill, it is drawn in duplicate, or triplicate, and hence the insertion of the words "*this first of exchange*," "*second*," or "*third*," as the case may be. Hence the common phrase: "*Three months after date pay this our first of exchange, second and third of the same tenor and date unpaid*."

In such case the drawee will, of course, take good care that he

accepts and pays only *one* bill of the set. Even if only one bill be drawn, it is sometimes specifically mentioned that only one has been drawn, the phrase used being: "Pay this our sole (bill) of exchange."

The Payee. The person or firm to whom the bill is made payable is termed the "Payee." The party drawing the bill (the "*Drawer*") may, if he pleases, insert his own name as payee.

Order. The effect of inserting the words "*or order*" after the name of the payee is to make the bill negotiable by endorsement of the payee. See "*Endorsement*."

"*Value Received*." These words almost always appear as the concluding phrase of a bill, but are merely an historical survival and are not essential to the legality of the document.

Drawer and Drawee. A bill must be signed by the drawee, and the name and town of domicile (*not* full postal address) of the drawee usually appear at the bottom left-hand corner of the bill, although the legal effect is precisely the same if they appear at the top.

For formalities incidental to the *acceptance* and *endorsement* of bills of exchange, see special headings.

The law of the country of issue governs the *form* of a bill, the law of the country in which it is accepted, the *acceptance*, and so for the other proceedings in connection with a bill. Whether inland or foreign, every bill negotiated in this country must be stamped. Bills payable on demand (this includes *cheques*) or within three days after date or sight, require a twopenny stamp. Other bills are stamped as under:

£5 or less	1d.
£5 to £10	2d.
£10 — £25	3d.
£25 — £50	6d.
£50 — £75	9d.
£75 — £100	1s.

Every additional £100 or part thereof, 1s.

For formalities incidental to the non-payment of a bill of exchange at maturity, see "*Dishonour*."

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So much for the technical features of Bills of Exchange; now a brief word as to the part they play in commerce.

A seller of goods naturally desires payment at the earliest possible moment; the buyer, on the other hand, has an equally strong desire to postpone payment as long as possible. This is no reflection on the integrity and standing of the buyer, who, in a large percentage of instances, is himself in turn a seller; he has perforce to await the arrival of the goods—a matter of anything from a day to a month—has then to prepare them for his market, effect his sales and get in the proceeds. Hence the commercial utility of a bill of exchange; the seller, by drawing his bill on the buyer and discounting it, can obtain

his money *at once*, whilst the buyer has only to pay at the due date of the bill, 30 days, 60 days, or 90 days later, as the case may be. See also "*Document Bill*," "*Bill Broker*," etc.

It is perhaps as well to make it clear that, in *discounting* his bill, the seller does not suffer a loss, since in calculating the amount of his draft he adds to his invoice total, *interest* for the period covered by the bill at the current rate of *discount*. That is to say, the drawer gets the full amount due to him and the drawee pays ultimately a larger sum, varying with the length of credit accorded. An exporter has a further calculation to make in arriving at the amount of his draft on the *foreign* buyer; having found the sterling amount of the invoice and charges due, and added the interest as described above, the exporter then works out the equivalent in the currency of the country on which the bill is drawn at the *current rate of exchange*.

Hence the close connection between the foreign exchanges and the activity of foreign trade. If, for example, an Amsterdam merchant buys in London on two months' credit when the two months' rate of exchange is 12·06 (*i.e.*, F.12·06 per £1), he will, as explained above, have to pay for every £100 worth of goods F.2 more than if the exchange rate were only 12·04. On large transactions, therefore, differences in the exchange rate make a substantial difference to the amount paid by merchants for identically the same goods. Consequently, the foreign merchant will, wherever possible, postpone purchasing in London when the exchange rate is *against* him, and, conversely, will show greater readiness to buy when the rates are in his *favour*. See also "*Foreign Exchanges*."

Apart from the facilities a bill of exchange affords both to drawer and drawee in respect to their mutual dealings, it has a further field of usefulness in respect to quite independent transactions in the *opposite direction*. A simple illustration will best explain what this means. A coffee merchant, A, of London, draws a three months' bill for Frs. 10,500 on merchant B, of Rouen. A sells his bill to a bill broker, C, in London (or, in other words, discounts it), and hears nothing further about it, provided, of course, B pays up in due time. Meanwhile X, a London importer of fancy textiles, has ordered Frs. 15,000 worth of goods from Y, of Roubaix. X buys Frs. 15,000 worth of French bills (including the Frs. 10,500 coffee bill) from bill broker C, and sends them to Y, so that, ultimately, the Rouen agents of Y's bank collect from B's bank the Frs. 10,500 originally due from B to A. Such, in very crude outline, is the *double function* performed by a bill of exchange. In actual practice C may represent a whole series of intermediaries, some of whom may be in London, some in Brussels, Paris, or elsewhere, as bills of exchange are good travellers and reside in many *portfolios* during their brief career.

The bad odour attaching to the expression "*Accommodation Bill*" (*which see*) has given rise to a very general idea that bills of

exchange arising out of actual transactions in merchandise are in some mysterious way superior to bills drawn by one financial house or bank on another. This is not the case. Many absolutely first-class bills come into existence by being drawn by one financial house on another, not "for value received" but merely as a convenient means of taking a loan. It is in such cases understood that the drawers (*i.e.*, in effect, the *borrowers*) will provide the necessary *cover* when the bill falls due, and meanwhile they (the drawers) deposit with the drawees, or more often with the local agents of the latter, documents or shares as security.

In conclusion, be it noted that, besides serving as a medium for settling a double indebtedness and as a profitable source of dealing amongst bill brokers and arbitrageurs of exchange, bills of exchange are often employed as *investments*. Thus, if the discount rate in London is $4\frac{1}{2}\%$, and in Paris only $3\frac{1}{2}\%$, it may pay a Paris bank to invest surplus funds by buying (*i.e.*, discounting) bills in the *London* bill market and holding them till maturity, as the return on the bank's money is thereby $4\frac{1}{2}\%$ p.a., instead of $3\frac{1}{2}\%$ as it would be if employed in discounting bills in *Paris*.

BILL OF LADING. (*Fr.* *Connaissement*; *Ger.* *Konossement*.) A Bill of Lading is a formal acknowledgment by a shipowner that certain stated goods have been received on board a named vessel for shipment to a named destination; it contains the terms and conditions on which the goods are carried. A usual form of Bill of Lading ("B/L") is given in the *Appendix*.

Every Bill of Lading must bear a 6d. stamp. It is both a contract of carriage and a document of title.

The Bill of Lading provides that the goods specified therein are to be delivered to the order of a certain party, subject to an exhaustive list of possible misadventures for which the shipowners are not to be held liable, and against which the shipper, of course, guards himself by Insurance (*which see*). A perusal of a Bill of Lading by a layman leaves the impression that the captain is free to take his ship where he likes, when he likes, and how he likes, quite regardless of the merchandise he is paid to convey, but, as is the case with many other commercial documents, the wording is largely a matter of history, and the actual efficiency of the service is ensured by the magic of *competition* between steamship lines.

For short journeys one Bill of Lading is sufficient, but on longer routes Bills are made out in *sets* of two or three, as in the case of Bills of Exchange.

The particulars of a shipment are entered on the Bill of Lading by the shipping clerk of the consignors, and the Bill (or set of Bills) is then lodged with the shipping company for signature. After it has been signed a Bill of Lading becomes a document of title, and is transferable by endorsement (see "*Endorsement*") and re-endorsement.

The Bills of Lading Act of 1855 provides that "every consignee of goods named in a Bill of Lading, and every endorsee of a Bill of Lading to whom the property in the goods therein mentioned shall pass upon or by reason of such consignment or endorsement, shall have transferred to and vested in him all rights of suit, and be subject to the same liabilities in respect of such goods as if the contract contained in the Bill of Lading had been made with himself."

However, although Bills of Lading are, by the custom of merchants, negotiable by delivery and endorsement for value, provided the goods represented thereby have been actually shipped and the voyage has not yet been completed, a Bill of Lading is not *negotiable* in the sense that a Bill of Exchange is negotiable; for the transferee—though he has given value for the Bill of Lading and acted in good faith—cannot get a *good title* from a transferor whose title is defective.

When the vessel arrives at the port of destination, the Bill of Lading is presented to the agents of the shipping company, and is in due course "*released*" by the signature of some authorised person, provided the freight has been paid. The holder of the released Bill can then get delivery from the ship. See also "*Shipping*."

Clean Bills. The shipowners have the right to note on the face of a Bill of Lading any defect that may be observed in the state of the packages or their contents; in the absence of any such comment, a bill of lading is said to be a *clean bill*. As explained under the head of "*Letter of Indemnity*," it is quite common for shipowners to issue clean bills even after a defect has been noted on the "*Mate's Receipt*." This practice may, however, have serious consequences for insurance companies, and the position was some time ago explained by *The Times* in the following sentences:

"If, as has happened before now, salt water is used to extinguish fire among cotton in India and cotton be shipped in a damaged condition under a 'clean' bill of lading, the underwriter might later be called upon to pay a claim on the ground that the cotton was damaged by sea water in the course of transit. It is maintained that the insurance companies have frequently been asked to pay claims in this manner, and the suggestion is made that owners, no doubt never thinking that marine underwriters might be held responsible, have granted a clean bill in exchange for letters of indemnity. The proceeding, perhaps, would be harmless enough if it merely meant that the owner desired a guarantee that he was not liable for damages done before shipment; but it would assume a very different complexion if it were ever shown that the owner issued clean bills against dirty merchandise, realising at the time that marine underwriters might be called upon to pay for the damage as having been caused in transit."

BILL OF SALE. (*Fr.* Pouvoir de Vendre; *Ger.* Verkaufsvollmacht.) A Bill of Sale is a document placed in the hands of a creditor

as security for a loan or debt. It authorises the creditor to sell the goods and chattels named therein, if the loan is not repaid or the debt liquidated at a specified time, and to reimburse himself out of the proceeds. But in order to prevent frauds on creditors by secret bills of sale, every Bill of Sale or a copy thereof must be filed in the Court of King's Bench within twenty-one days after it is made or given, otherwise it is "void to all intents and purposes."

BILLS PAYABLE. (*Fr.* Effets à payer; *Ger.* zu zahlende Wechsel.) From the point of view of any particular firm, the bills of exchange for the payment of which it is responsible are "*Bills Payable*," whilst obviously from the point of view of other firms the identical bills are "*Bills Receivable*."

BILLS RECEIVABLE. (*Fr.* Effets à recevoir; *Ger.* Wechsel zum Eincassieren.) The converse of "*Bills Payable*" See above.

BIMETALLISM. (*Fr.* Bimétallisme; *Ger.* Doppelwährung.) A monetary system having *two* standard metals for coinage purposes. Several decades ago a huge controversy raged throughout the commercial world as to the merits and demerits of a coinage based on a double standard of gold and silver, as opposed to a simple gold standard (the latter known as "*Monometallism*"). The underlying idea of the bimetallists was to broaden the supply of legal tender and thereby steady prices. (See "*Money*.") The weakness of the bimetallists' case lay in the fact that to give any certainty to commercial transactions it was obviously necessary to fix a definite ratio of value between gold and silver, and the attempt to maintain arbitrarily one constant ratio of value was foredoomed to failure.

The so-called "*Latin Monetary Union*" (see "*Monetary Convention*") did actually embark on a bimetallic system of gold and silver, the ratio of value being fixed at 15½:1. Not long after, silver began to fall in value as compared with gold, and to prevent the disappearance of all gold coins and the substitution of an exclusively silver currency, the Latin Union found itself compelled to suspend the free coinage of silver.

At the present time the principle of bimetallism is out in the cold, and even the silver-loving countries of the East conduct their commerce virtually on a gold basis.

BLANK CREDIT. (*Fr.* Crédit en blanc; *Ger.* Blankocredit.) This term has different meanings according to its context. Sometimes it is used as synonymous with "open credit" (*which see*); sometimes it refers to a bill of exchange drawn without value being given or security deposited by the drawer (see "*Bill of Exchange*"); or, again, it may be a Letter of Credit (*which see*) in which no actual amount is specified.

BLANK ENDORSEMENT. (*Fr.* Endos en blanc ; *Ger.* Blankogiro.) See "*Endorsement.*"

BLANK TRANSFER (*Fr.* Transfert en blanc ; *Ger.* Blankotransfer.) A transfer form (see "*Transfer*") which bears the signature of a transferor, but no other particulars, or only some of the other particulars necessary for the completion of a transfer. It is evident that a person will not sign a blank transfer form as a transferor unless he has every confidence in the party to whom he entrusts such transfer, but nevertheless blank transfers are quite common as they often facilitate business. Take two instances. (a) A holder of registered shares wishes to take a loan against them. In the ordinary course the lender would insist on the shares being transferred into his (the lender's) name at the borrower's expense ; the lender may, however, be satisfied with simple deposit of the share certificates together with a transfer signed in blank, by virtue of which he could eventually transfer the shares to his own name. The expedient of the blank transfer, however, is not altogether a safe one from the lender's point of view. If the borrower were to die whilst the shares were still in his name, the company would not accept the transfer as a valid document. (b) A New York firm sells in London 1,000 Marconi shares. If, when giving the selling order, or when advised of the sale, they forthwith ship the certificates and a blank transfer, the delivery will be effected in London—and the sellers receive the proceeds—much sooner than if the London brokers have to wait for full particulars as to registration from the London buyers of the shares and then have to prepare and send corresponding transfers to New York for signature by the seller.

BLANKET MORTGAGE. (*Fr.* Hypothèque générale ; *Ger.* Vollstaendige Hypothek.) In the course of the development of a large industrial or commercial undertaking, it often happens that the necessary capital is raised by means of successive mortgages on specific portions of the property, and at various rates of interest. These different mortgages will, as soon as the concern is in a sound and prosperous condition, be consolidated into a single mortgage for the simplification of the company's finances. Such single, consolidating mortgage is known as a blanket mortgage. Sometimes, however, the term is applied to a general mortgage, even when certain parts of the property are still earmarked for the security of certain prior obligations.

BLOCK POLICY. (*Fr.* Police flottante ; *Ger.* laufende Police.) A firm having to insure against constantly recurring risks cannot go to the trouble of taking out special policies for each separate risk, and the insurance companies issue what are called block policies, or *floating policies*, which run for a fixed period (usually one year). A common example of block policy is that taken out by a firm which has to make frequent shipments of goods or securities. Under such a policy a certain maximum value of goods may be shipped per day, per week,

or per month, as the case may be, to or from certain stated destinations. It is necessary to *declare* particulars of each separate shipment, as otherwise the insurance company will not admit liability, and if the value of goods shipped exceeds the maximum agreed upon in the policy, the shippers must pay to the company what is called "*excess insurance*." When very large shipments are made, it is customary to insert in the block policy a clause that not more than a certain value of goods or securities may be shipped by any one steamer. See also "*Insurance*."

BOARD OF TRADE. (*Fr.* Ministère de Commerce ; *Ger.* Handel-samt.) For the purpose of this book it suffices to name some of the departments of the Board of Trade, as indicating the functions, partly administrative and partly advisory, which bring this important executive branch of the Government into contact with the business world. The Department of Commerce and Industry covers "*Economics*," "*Commercial Relations and Treaties*," "*Overseas Trade (Development and Intelligence)*," "*Industries and Manufactures*," whilst amongst other comprehensive activities of the Board are the following : Wrecks, Railway Accidents, publication of the *Board of Trade Journal*, the supervision of life-saving appliances, a "*Marine and Harbour Department*," a record of Shipping and Seamen, the "*Office of the Standard*" (Weights and Measures), Bankruptcy, Winding-up of Companies, Patents, Designs and Trade-Marks.

BOND. (*Fr.* Obligation ; *Ger.* Obligation.) Originally *bond* meant any formal undertaking of a commercial nature (*cf.* Antonio's famous bond to Shylock), but the term now has a more restricted meaning. The certificates issued by a state, municipality, or large corporation when raising a *loan* are usually called bonds, whereas the loan issues of smaller companies are known as debentures (*which see*). The distinction, however, is a very vague one, and is further confused by the numerous adjectives applied to the word. The following deserve brief mention :

Assenting Bonds. Bonds of which the holders have signified their assent to a certain scheme formulated by the company, receiver, etc.

Bearer Bonds. Bond certificates to bearer, as distinct from registered bonds (*see below*). Coupons are attached for claiming interest on the due dates.

Collateral Bonds. Bonds secured by deposit of certain shares or other bonds as collateral.

Convertible Bonds. Bonds which are—or will be at some stated future time—exchangeable, at the option of the holder, for shares at a fixed ratio. The privilege of convertibility is an inducement for the public to take the bonds, as the latter give not only a fixed interest yield but also a chance of participating in the future prosperity of the concern.

Definitive Bonds. Actual bond certificates, as distinct from *scrip* (or *provisional receipts*), which are given out temporarily at the time the issue is made. See also "*Scrip*."

Drawn Bonds. Bonds which have been drawn (*i.e.*, by lot) for repayment. See "*Lot*."

Gold Bonds. Bonds which will be paid in gold at maturity. This qualification is necessary when issues are made in countries where silver or depreciated paper money is legal tender.

Guaranteed Bonds. An expression used of bonds which are guaranteed as to interest or principal or both by some state, municipality or commercial corporation. It is a common practice for large companies to guarantee the payment of interest on bonds issued by sub-companies, whilst in the newer countries of the world the state often guarantees the bond issues of transport and other "*utility companies*" with a view to facilitating the borrowing of capital with which to open up the country.

Improvement Bonds. When the proceeds of a bond issue are destined for improvements in a company's property, the bonds are sometimes officially styled "*Improvement Bonds*," as distinct from "*Refunding Bonds*," the proceeds of which go to pay off outstanding indebtedness.

Income Bonds. Bonds the interest on which is in some way dependent on the earnings of the concern (*e.g.*, the 6% Income Bonds of the London "*Underground*").

Mortgage Bonds are of innumerable varieties—general, first, second, third mortgage, and so on. In each case the mortgage referred to relates to property held by the company. See also "*Blanket Mortgage*."

Premium Bonds. A name applied to certain Continental loans the process of the repayment of which is scarcely distinguishable from lottery drawings.

Redeemable Bonds. Bonds repayable at a fixed date or during a stated period, as distinct from irredeemable (or *perpetual*) bonds.

Registered Bonds. It is possible in some cases to have bonds registered as to principal only, in which case the interest is obtained by presentation of coupons, as in the case of bearer bonds (*see above*). It is more usual, however, to have bonds registered as to both *principal* and *interest*.

(2) BOND. The name of the undertaking and surety required by the Customs authorities from all persons who handle dutiable goods without immediately paying the duty thereon. Thus various bonds are prescribed for importers, carriers, and warehousemen of dutiable goods. Hence the terms, bonded carman, bonded vaults, etc. The common expression "*In bond*" would be, grammatically speaking, more correct if altered to "*Under bond*." Exporters have also to deposit a bond before they will be permitted to lodge the various papers

which have to be passed by the Customs before dutiable goods can be moved from warehouse or dock for re-export. See also "*Customs*."

BONUS. (*Fr.* Prime; *Ger.* Bonus.) Any exceptional benefit conferred upon shareholders by the management of a company. The usual form of a bonus is a cash distribution over and above the ordinary dividend, but it may take the form of a right to apply for new shares on terms more favourable than those accorded to the general public; again, a bonus may consist of shares of some subsidiary company (but see also "*Bonus Shares*").

When a portion of a company's accumulated reserves is distributed to shareholders as a bonus, the process is known in Stock Exchange circles as "*Melon-cutting*."

BONUS SHARES. (*Fr.* Actions gratuites; *Ger.* Bonus-aktien.) As an extra inducement to the public to subscribe for Debentures or Preferred stock, a bonus in ordinary shares is sometimes given. This practice is discountenanced by the Companies Acts, but seems to go on under the guise of "*commissions*." Anyhow, such bonus is more imaginary than real, seeing that the expedient is hardly likely to be adopted by a company within measurable distance of paying a dividend on its ordinary shares.

BOOK CREDITS. (*Fr.* Crédits de comptabilité; *Ger.* Verguetungen.) Entries in the *books* of merchants and bankers to the credit of particular persons, as distinguished from payments from the *till*. It is by mean of book credits that the use of coin and notes is largely dispensed with in modern commerce; the amount of wealth changing hands by means of book entries is infinitely larger than the total monetary circulation. The daily turnover at the Bankers' Clearing House (*which see*) is a case in point. But the business of the Clearing House, large as it is, is only a small part of the business transacted by the merchants of the City of London and other trade centres, in all of which book credits play an important part.

BOOM. (*Fr.* Hausse; *Ger.* Aufschwung.) When a Stock Exchange security becomes suddenly popular and rises briskly in price, there is said to be a *boom* in that security. Or, again, all the shares of one particular section of the Stock Exchange may enjoy a boom, as, for instance, the famous *Kaffir Boom*, or the more recent *Rubber* and *Oil* booms. It will be found that every boom originates in more or less justifiable optimism on the part of "*insiders*" and Stock Exchange circles, but the stockbrokers alone can no more create a boom than everybody could get a living by taking in somebody else's washing; it requires the co-operation of the man-in-the-street, with his combination of ignorance and avarice,¹ to bring about the enormous inflation of capital values which must, sooner or later, end in collapse. The famous case of the lady who instructed her broker to put her

money into the rubber shares with the most unpronounceable names splendidly illustrates the discriminating faculty of the amateur investor.

BOTTOMRY BOND. (*Fr.* Contrat à la grosse aventure; *Ger.* Bodmereibrief.) A contract of hypothecation which a shipmaster enters into abroad in order to raise money to enable him to prosecute his voyage, after being delayed or having had his ship damaged by storms, etc. The master of the ship being at a distance from the owners of the ship and its cargo, he is compelled, in order to protect their interests, to use his own discretion as to whether he shall pledge the cargo as well as the ship for the purpose of raising the means of bringing both to port. When the ship alone is pledged, the contract is called a *Bottomry Bond*; where ship and cargo both, a *Respondentia Bond*.

BOUNTY (*Fr.* Prime; *Ger.* Praemie.) A state subvention to certain traders or manufacturers, etc. Export bounties are only one form of bounty, and the term ought to cover all Government *subsidies*, although there is a disposition to regard a subsidy as a legitimate payment by the state, if not for services rendered, at any rate for a claim to certain services at a future date. From a political point of view a protective duty is preferable to a bounty (see "*Foreign Trade*") as less likely to arouse hostility on the part of the people who pay

BROKER. (*Fr.* Courtier; *Ger.* Makler.) Strictly speaking, a broker is an intermediary who deals as *agent* only, on a commission basis. The function of the broker is to bring together those who have goods to sell and those who wish to buy; he is a market expert who makes a special study of sources of supply on the one hand and selling possibilities on the other hand. The uninitiated might imagine that a broker is little more than a minor commercial functionary, and that the only people who really count are the buyers and sellers. In actual fact, firms of brokers are very powerful forces in a market, and their financial standing is superior to that of many of the traders who, technically, are their principals. Stockbrokers, produce brokers, shipbrokers and cotton brokers, are prominent specimens of their kind, and the broker is an excellent illustration of the high degree of specialisation attained by modern commerce. The theorists who talk of the broker as an "unnecessary" interloper and parasite must live a long way from the City. If such critics hoped for the extirpation of the stockbroker as the outcome of an ingenious newspaper scheme for conducting stock and share transactions by advertisement, they were disappointed.

When a distinction is made between a broker and a *factor* it is that the latter actually holds the goods or documents for the goods he is instructed to sell. See also "*Bill Broker*," "*Stock Exchange*," and "*Agent*."

BROKERAGE. (*Fr.* Courtage; *Ger.* Courtage, Provision.) The remuneration of a broker; usually a fixed fraction of the purchase money. "*Commission*" (*which see*) is now the more usual expression. See *Appendix* for Commission Scale of the London Stock Exchange.

BRONZE. (*Fr.* Bronze; *Ger.* Bronze.) A mixture of copper with tin or some white metal. By the Act of 1860, the bronze coinage of England consists of 95 parts of copper, 4 of tin, 1 of zinc. In France the proportions are the same.

BULL. (*Fr.* Haussier; *Ger.* Haussier.) A person who *buys for the rise*, that is to say, who buys not as a permanent investment, but in order to sell out again at a higher price. Hence such expressions as "*bulling the market*," which means that a number of operators unite to bring about a rise in price, by buying scattered lots themselves, by circulating optimistic rumours, and so on. See also "*Bear*" and "*Stock Exchange*."

BULLION. (*Fr.* Lingot; *Ger.* Barrenmetall.) A technical term denoting gold and silver in bulk, other than gold and silver coins (which are known as "*specie*"). Hence the well-known phrase in the Bank of England Return, "Gold and silver coin and bullion." See also "*Drain of Bullion*."

BUREAU DE CHANGE. (*Fr.* ditto; *Ger.* Wechselbureau.) An office for exchanging foreign moneys. Until recently this function was performed in England mainly by tourist offices, pawnbrokers, boat-stewards, etc., but some of the large joint stock banks have now instituted special facilities for the exchange of foreign moneys, coupons, etc.

BUYER'S RISK. (*Fr.* Au risque de l'acheteur; *Ger.* Kaeufers-Risiko.) For the purpose of determining the liability of the parties to a sale in respect of the proper insurance of goods, it is highly important to determine exactly at what moment the goods pass to the buyer, or, in legal phraseology, the *property in the goods* is transferred. The Sale of Goods Act contains very explicit directions on this subject, and the leading points are given below:

(a) *Specific Goods.* Unless otherwise stipulated by the parties, the following are rules for ascertaining the intention as to the time at which the property in the goods is to pass to the buyer:

i. Where there is an unconditional contract for the sale of specific goods in a deliverable state, the property in the goods passes to the buyer when the contract is made, and it is immaterial whether the time of payment or the time of delivery, or both, be postponed.

ii. Where there is a contract for the sale of specific goods, and the seller is bound to do something to the goods for the purpose of

putting them into a deliverable state, the property does not pass until such thing be done, and the buyer has notice thereof.

iii. Where there is a contract for the sale of specific goods in a deliverable state, but the seller is bound to weigh, measure, test, or do some other act or thing with reference to the goods for the purpose of ascertaining the price, the property does not pass until such act or thing be done and the buyer has notice thereof.

iv. When goods are delivered to the buyer *on approval*, or on *sale and return*, or other similar terms, the property therein passes to the buyer :

When he signifies his approval or acceptance to the seller, or does any other act adopting the transaction ;

If he does not signify his approval or acceptance to the seller, but retains the goods without giving notice of rejection, then, if a time has been fixed for the return of the goods, on the expiration of such time, and, if no time has been fixed, on the expiration of a reasonable time. What is a reasonable time is a question of fact.

(b) *Unascertained Goods.* Where there is a contract for the sale of unascertained goods, no property in the goods is transferred to the buyer unless and until the goods are ascertained. Unless a different intention appears, the following are rules for ascertaining the intention of the parties as to the time at which the property in the goods is to pass to the buyer :

i. Where there is a contract for the sale of unascertained or future goods by description, and goods of that description and in a deliverable state are unconditionally appropriated to the contract either by the seller, with the assent of the buyer, or by the buyer with the assent of the seller, the property in the goods thereupon passes to the buyer. Such assent may be expressed or implied, and may be given either before or after the appropriation is made. See under "*Tender*."

ii. Where, in pursuance of the contract, the seller delivers the goods to the buyer or to a carrier or other bailee (whether named by the buyer or not) for the purpose of transmission to the buyer, and does not reserve the right of disposal, he is deemed to have unconditionally appropriated the goods to the contract.

If, however, the seller under the terms of the contract, or by the method of appropriation, reserves the right of disposal of the goods until certain conditions are fulfilled, the property in the goods does not pass to the buyer until such conditions have been fulfilled.

Where goods are shipped and by the Bill of Lading they are deliverable to the order of the seller, or his agent, the seller is, *prima facie*, deemed to reserve the right of disposal.

Where the seller draws on the buyer for the price and transmits

the Bill of Exchange and Bill of Lading to the buyer together, to secure acceptance or payment of the Bill of Exchange the buyer is bound to return the Bill of Lading if he does not honour the Bill of Exchange, and if he wrongfully retains the Bill of Lading the property in the goods does not pass to him.

BUYING-IN. (*Fr.* Rachat à défaut de livraison ; *Ger.* Einkauf bei nicht-Lieferung.) A Stock Exchange term denoting the operation of buying *again* in the open market securities which a previous seller has failed to deliver. Suppose, for instance, A has sold through his broker, B, 50 shares of a certain stock of which not much is in the market. It may be that A—either because he never had the shares to sell, or through the default or delay of some third party—is unable to deliver the shares to his broker on Settlement Day (see “*Stock Exchange*”). If it is a genuine transaction, and the buyer of the shares is an ordinary investor in no special hurry for them, several weeks may pass by without any direct pressure being put upon the seller ; however, by the rules of the Stock Exchange the broker may, ten days after the Settlement, buy the shares in, that is to say, purchase them in the open market. The original seller is then debited with the cost of the second transaction, including extra brokerage and expenses. It should be noted that promptness of delivery is not so much a matter of the good faith of the seller as a question of the kind of security dealt. Thus, there is no excuse for non-delivery of Yankees or bearer shares (*which see*) within a week of the Settlement, even if the shares had to be sent over from America, but, on the other hand, a delay of two weeks or more in the case of registered stocks is not at all uncommon, as all sorts of delays can arise in connection with the signing of transfers, etc.

C

CABLING. (*Fr.* Cabler ; *Ger.* Kabeln.) The introduction of the submarine telegraph cable brought a new verb into the language, viz., “*to cable*.” Just as the sender of an inland telegram is often said to *wire*, so the sender of a foreign telegram is said to *cable*. A more serviceable distinction might be made by confining the expression “*cable*” to messages sent through one of the so-called *cable companies*, and retaining the older word “*telegraph*” or “*telegraphing*” for messages handed in to the Post Office.

For it is important to remember that the Post Office has no monopoly of telegraphy for foreign destinations. Many vital distinctions flow from this fact, as the cable companies are open to the pressure of ordinary commercial competition, and hence are amenable to the wishes of the business community in a way which the Post Office,

behind its entrenchment of red tape and rule-of-thumb, will never be. The significance of this is illustrated by the following points:

(a) *Cable Addresses.* Unlike the Post Office, the cable companies register special one-word cable addresses free of charge, and the companies serving North and South America (the "Western Union," "Anglo," "Commercial," etc.), will register free of charge *reversible* cable addresses. For example, firm *Alpha*, of London, has cable correspondence with twenty New York firms, *Beta*, *Gamma*, *Delta*, etc. *Alpha* registers with the cable companies a special *reversible* cable address with each, say, *abc*, *abk*, *jyx*, etc., respectively. All cables addressed "*abc* London" are delivered to *Alpha*; they require *no signature*, as *Alpha* knows at once from the letters *abc* that the message comes from *Beta*; similarly a cable addressed by *Alpha* to "*abc* Nyk" is delivered there to *Beta*, who knows at once that it comes from *Alpha*.

(b) *Speed.* The fact that before the war in the busy times of the day urgent messages from London to Amsterdam, Brussels, Paris, etc., were sent (at a cost of 2s. per word) via *New York* rather than submit to the delay on the direct Post Office wires, needs no further comment.

(c) *Reasonableness.* Whereas the officials of the Post Office are prone to quibble over infringements of the strict letter of the regulations as to the admissibility of certain combinations, etc., the cable companies are much more reasonable in their interpretations.

The following table of examples serves to show how the rules relating to *words*, *figures* and *characters* are interpreted, bearing in mind the general rule that in plain-language messages 15 letters go to a word, in code-messages 10 letters maximum, and that 5 consecutive figures or "characters" constitute a "word." (N.B. See also "Codes.")

						In the Address.	In the Text.
A-t-il	..	..	..	..	..	—	3 words.
Aujourd'hui	..	..	..	..	..	—	1 word.
Aujourd'hui	..	..	..	..	..	—	2 words.
Newyork	..	..	..	..	..	1 word	1 word.
New-York	..	..	..	..	..	1 „	2 words.
San Francisco	..	..	..	..	..	1 „	2 „
Van de Brande	..	..	..	..	..	3 words	3 „
Vandebrande (in plain-language telegram)						1 word	1 word.
Vandebrande (in code message)	..	..				—	2 words.
Dubois	..	..	..	..	..	1 word	1 word.
Du Bois	..	..	..	..	..	2 words	2 words.
Hyde Park	..	..	..	..	..	2 „	2 „
Hydepark (contrary to usage of the language)						2 „	2 „
Hydepark Square	..	..	..	..	..	2 „	2 „
Hydeparksquare (contrary to usage of the language)	..	..	..	..	..	2 „	2 „

					<i>In the Address.</i>	<i>In the Text.</i>
Saint James Street	..	..	..	..	3 words	3 words.
Saintjames Street	..	..	..	..	2 "	2 "
Saintjamesstreet	..	..	..	..	2 "	2 "
Portland Place	..	..	..	..	2 "	2 "
Rue de la Paix	..	..	..	..	4 "	4 "
Rue delapaix	..	..	..	..	2 "	2 "
Ruedelapaix	..	..	..	..	2 "	2 "
Princeofwales (Ship, 13 letters) in plain- language telegram	..	..	..	..		1 word.
44½ (5 characters)	..	..	..	..		1 "
44·55 (6 characters)	..	..	..	..		2 words.
£1	..	..	..	..		2 "
10 fr. 50	..	..	..	..		3 "
fr. 10·50	..	..	..	..		2 "
11 h. 30	..	..	..	..		3 "
14 x 14	..	..	..	..		3 "
17th	..	..	..	..		1 word.
44½	..	..	..	..		1 "
2%	..	..	..	..		1 "
Two hundred and thirtyfour	..	..	..	..		4 words.
Twohundredandthirtyfour (23 letters) in plain-language telegram	..	..	..	..		2 "
Eleven and a half	..	..	..	..		4 "
Elevenandahalf, in code message	..	..	..	..		2 "
Elevenandahalf, in plain-language message	..	..	..	..		1 word.
Ch 23 (Commercial sign)	..	..	..	..		2 words.
Ap	..	..	..	..		1 word.
m	..	..	..	..		1 word.
3	..	..	..	..		2 words.
m	..	..	..	..		2 words.
C.H.F. 45	..	..	..	..		4 "
The business is <u>urgent</u> leave at <u>once</u> (7 words and 2 underlines).	..	..	..	..		9 "

CALL. (*Fr.* Appel de fonds ; *Ger.* Einzahlung.)

(1) An *instalment* on shares, or more strictly the act of calling for payment of an instalment. When a company makes an issue of shares it is often stipulated that they shall be paid for by instalments on certain stated dates ; such instalments are not referred to as calls. Where, however, shares are not fully paid, and the company decides to claim another instalment from the shareholders, such claim is said to be a call. The Companies Acts require the observance of certain formalities in connection with the making of calls, and Table "A" (*which see*) provides that no call shall exceed one-fourth of the nominal value of the share. If shares are transferred after a call has been made,

the liability for its payment remains with the transferor. Dividends can be withheld as a set-off against unpaid calls, and if calls remain unpaid the shares can be forfeited.

(2) A form of Option (*which see*).

CALL MONEY. (*Fr.* Prêt à vue; *Ger.* Taegliches Geld.)

(1) Money lent by banks which they are entitled to call, *i.e.*, demand back, whenever they see fit. Known also as “Daily money” or “Day-to-day” money. See “Banking” and “Bill Broker.”

(2) Call Money (*Fr.* Taux de prime; *Ger.* Praemiengeld) is the name given to the price paid for a “Call.” See “Option.”

CALL OF MORE. (*Fr.* English term used; *Ger.* mit einmal noch.) See “Option.”

CANCELLING or ANNULMENT. (*Fr.* Cancellation; *Ger.* Entwertung.) The cancelling or annulment of bonds, coupons, bills, and in short all commercial instruments which it is not permissible to re-issue, is a very important duty. If it is neglected to cancel them at the time of payment and they are afterwards re-issued or negotiated, the person who neglects to cancel them, and the one who negotiates such an instrument, are each liable to a penalty of £50. And any person accepting such instrument is liable to a penalty of £20.

CAPITAL. (*Fr.* Capital; *Ger.* Kapital, Vermoegen.) Business men and economists attach different meaning to the word *Capital*; and both find it necessary to make a free use of adjectives in the endeavour to fix the many conceptions contained in this one expression.

To the man of affairs Capital means money employed in, or available for, the purpose of carrying on a certain business, whether it be £10 borrowed by a costermonger to stock his Saturday-night stall, or £10,000,000 invested in some huge trading concern. The source from which the money is derived is immaterial. £10 invested in a new issue is capital, whether it be begged, borrowed, or stolen—income or savings.

Notice, also, that the man of affairs always thinks of capital as money, and not as money's worth. Even freehold premises are not regarded by a merchant as part of his capital. He knows that the premises appear in his balance sheet at a certain valuation and that money valuation, together with money valuation of all his assets, he calls his capital. If it is represented by “fixed assets,” premises, plant and machinery, goodwill, etc., he calls it capital “locked-up” or “sunk”; if it is represented by stock-in-trade, short credits, and cash, it is “working capital”; if it is held back to meet emergencies, it is *reserve capital*. In all cases the business man thinks in terms of the *money* value of his assets, and not so much of the actual assets themselves.

The economist, on the other hand, at once rules out the question of

valuation of assets. He sees that, whilst for each individual concern the money valuation of its assets is the great point, nothing is to be learned by ascertaining the aggregate money value of all commercial and industrial assets; he must go deeper than the money value, and analyse the actual assets themselves.

The contrast between the *commercial* and the *economic* aspect of "Capital" is well brought out by the following dicta of one of the "classical" economists (Jevons): "Capital is wealth used to help us in producing more wealth. All Capital is wealth, but it is not true that all wealth is Capital. . . ." Jevons then goes on to formulate the famous distinction between "*fixed*" and "*circulating*" capital, the former composed of "things which last a long time and assist work," the latter "things which are required to support labourers while they are engaged in productive work."

Further, capital as viewed by the economist is the result of saving (or *abstinence*), whereas, as already indicated, the commercial world does not trouble to inquire about the origin of its capital. "Prospectiveness," says Professor Nicholson, "is the most general characteristic of capital."

In regard to limited liability companies, the word "Capital" has a special meaning, namely, the total of shares or stock which a company is entitled to issue. (N.B. *not* Debentures.) The following must be carefully distinguished in this connection.

Authorised Capital. The total a company may issue.

Issued Capital. That part of the authorised capital which has been allotted to shareholders.

Paid-up Capital. The amount *actually paid* in respect of issued capital.

Every balance sheet of a limited liability company must show these items separately.

CARAT. (*Fr.* Carat; *Ger.* Karat.) The twenty-fourth part of *any weight* of pure gold. Thus, the expression "22 carat" simply means that the gold referred to is 22/24ths fine.

CARRY-OVER. (*Fr.* Report; *Ger.* Report or Lombardierung.) The continuation of a Stock Exchange bargain (or, more strictly, of a *purchase*) from one Settlement to the next. See "*Stock Exchange*" and "*Contango*."

CARTEL. (*Fr.* Cartel; *Ger.* Kartell.) A word of German origin applied to a particular form of Trust (*which see*). A Cartel is, in essence, a combination of factories not so much for economies of manufacture as for determining the manner in which the products shall be marketed; it might, in fact, be aptly termed a sales-combine.

CASE OF NEED. (*Fr.* Au besoin; *Ger.* Notadresse.) "To whom apply in case of need," or shorter forms of the same expression, are

phrases inserted in Bills of Exchange (*which see*). They always follow the name of some individual or of some firm, and imply that in case of any irregularity requiring explanation, or of dishonour, application is to be made to the individual or firm indicated. It sometimes happens that bills have a large number of endorsements upon them, and in the event of the failure of any endorser to meet his engagements, or if there be any irregularity in either endorsement (and especially if not honoured in the acceptance or payment), the holder of the bill has a claim on the endorser from whom he received it, and this one again on the one preceding. Thus a bill might be sent from one endorser to another until it had been returned to every one before it reached the original drawer or acceptor. This would entail considerable expense, and, what is sometimes worse, might cause serious inconvenience to the drawer of the bill. It is to avoid both these evils that the phrase "in case of need" is inserted. By direct application to the party named, steps would at once be taken to save his own honour and that of his correspondent. See also "*Dishonour*."

CASH. (*Fr.* Argent; *Ger.* bar Geld.) Coin of the realm, currency notes, and banknotes. (See "*Coinage*," "*Money*," etc.) By analogy it has been held that documents payable on demand or immediately convertible into money are cash, but that is stretching the term beyond its general acceptation. It is preferable to confine the meaning of cash to *hard cash*; otherwise, why talk of *cashing a cheque*?

(2) Cash (*Fr.* Comptant; *Ger.* Kasse) has a technical meaning in regard to certain Stock Exchange transactions. Some bargains which are not done for the ordinary or for special settlement (see "*Settlement*") are done "*for cash*," in other words, for prompt delivery and payment. Hence the distinction between *time bargains* and *cash bargains*. On the New York Stock Exchange there are no time bargains, all securities bought and sold having to be paid for and delivered respectively on the following day. However, the Chicago Bourse has adopted monthly settlements, and an agitation is on foot for time bargains in New York.

CASH CREDIT. (*Fr.* Crédit de caisse; *Ger.* Barkredit.) A Cash Credit is a sum of money recorded in the books of a banker and placed to the credit of a customer, against which that customer may draw cheques. An account of this kind would, of course, never be opened in favour of a customer unless guaranteed by some person of substance; but in places where bankers find a difficulty in employing the whole of their deposits they are glad to make use of their funds in this way. This was notably the case in Scotland, and it is said that the commercial prosperity of that country has been immensely enhanced by the use of cash credits. Poor persons of good character and ability have been enabled by means of cash credits to set up in business, and by thrift to pay off the sums advanced to them, thus laying the foundations of

an ample fortune. In England cash credits, as such, are not recognised, but *overdrafts* amount practically to the same thing. In the words of McLeod: "A Cash Credit is simply a drawing account, created in favour of a customer, upon which he may operate in precisely the same manner as upon a common drawing account; paying interest on the debit, instead of receiving interest on the credit. It is thus an inverse drawing account."

CAUTION MONEY. (*Fr.* Paiement en garantie; *Ger.* Buergegeld.) A sum deposited by way of surety or guarantee.

CEDE, TO. (*Fr.* Ceder; *Ger.* Ueberlassen.) To make over property or rights. Often has much the same meaning as to *sell*; e.g., participations in *underwriting* are said to be "ceded."

CEDULAS. A name applied to certain bonds of South American origin (e.g., *Argentine Cédulas*). The word means, literally, a thing to be *given up* in exchange for a sum of money. Hence, *Cédulas* are documents which are to be given up in exchange for a sum of money, or they may be simply orders for the payment of money. *Cédulas* are in circulation bearing both these interpretations.

CENT. A word of very common occurrence in connection with business transactions. In some cases it has the meaning of *hundred*, in others, of *hundredth*. Thus, the universal phrase "*per cent.*" means simply per hundred (also written *per centum* and %). The French equivalent is *pour cent.* and the German *pro cent.* In its second meaning of hundredth the *cent*, as all the world knows, is one-hundredth part of the Almighty Dollar. Incidentally, the hundredth part of a Dutch guilder is also called a cent, as the Yankee tourist will quickly discover when he gets within hearing of the picturesque but somewhat mendacious children by the side of the Zuyder Zee!

CERTIFICATE OF INCORPORATION. (*Fr.* Certificat d'incorporation; *Ger.* Handelsregisterurkunde.) A term in Company Law, which latter provides that "a certificate of incorporation given by the Registrar (of joint stock companies) in respect of any association shall be conclusive evidence that all the requirements of this Act in respect of registration, and of matters precedent and incidental thereto, have been complied with, and that the association is a company authorised to be registered and duly registered under this Act." Many company secretaries have the certificate of incorporation framed, and hang it in their office as a sort of mascot.

CERTIFICATE OF ORIGIN. (*Fr.* Certificat d'origine; *Ger.* Ursprungscertifikat.) The Customs regulations of many countries require the production of formal evidence of the country of origin of certain products when it is desired to import them. In such cases the goods must be accompanied by certificates of origin; these are one of

the joys of a discriminating tariff, and the vexations and delays involved are a serious hindrance to commerce. Specimen Certificate of Origin is given in *Appendix*. See also "*Customs*" and "*Invoice*."

CERTIFIED TRANSFER. (*Fr.* Transfert avec vérification de la compagnie; *Ger.* Beglaubigtes Transfer.) In the ordinary way a transfer must be accompanied by the certificate for the shares to which it refers. It frequently happens, however, that a shareholder who has disposed of part of his holding deposits his certificate with the company, and then gets the company to testify on the face of the transfer he delivers that certificate for the shares named in the transfer has been lodged with the company.

The *certification* usually takes the form of a small rubber stamp on the margin of the transfer to this effect:

Certificate for — shares has been lodged at the Company's office.
The — Company, Limited,

—19—

Secretary.

For the remaining shares, not transferred, the company usually issue to the shareholder a "*Balance Ticket*," instead of preparing a formal certificate for the shares still held.

CHARTER PARTY. (*Fr.* Charte-partie; *Ger.* Certepartie.) A special form of contract employed when a vessel, or a substantial part of a vessel's capacity, is hired from the owners either for a stated period or a stated voyage or voyages. The charterer can sub-let, as it were, the accommodation he pays for; that is to say, he can contract with other parties to ship their goods; the charterer, however, has no voice in the actual handling of the vessel, apart, of course, from determining its destination. Note the essential difference between a Charter Party and a Bill of Lading (*which see*).

CHARTERED COMPANY. A company instituted by special Charter (*i.e.*, grant by the Crown) as distinct from a company formed under the Companies Acts or by Act of Parliament. Thus, the Hudson's Bay Company is a chartered company, but the best-known example is the British South Africa Company, which is always referred to as *the* Chartered Company *par excellence*. Like the East India Company of former days, it exercises administrative, as well as commercial, functions.

CHATELS. (*Fr.* Effets; *Ger.* Bewegliches Gut.) A legal term ("*goods and chattels*") signifying all moveable property, as distinct from real estate. Hence, all commercial documents, copyrights, etc., are chattels within the meaning of the law. See "*Goods and Chattels*."

CHEAP MONEY. (*Fr.* Abondance d'argent ; *Ger.* billiges Geld.) A term used in financial circles to denote *low rates of interest*, or discount. (See "*Money Market.*") Other expressions to the same effect are "*Easy money rates,*" "*Plentiful supply of money,*" etc.

CHEQUE. (*Fr.* Chèque ; *Ger.* Check.) Technically, a cheque is a *Bill of Exchange* drawn on a banker and payable at sight.

In the ordinary way cheques are drawn on special printed forms provided gratis by the banks for the use of their customers. The following is a common form of cheque :

No. X23456.

The Blank Bank, Ltd.,
Throgmorton Street Branch.

.....19..

PAY.....or order

2d.
STAMP.

One hundred and six pounds five shillings.

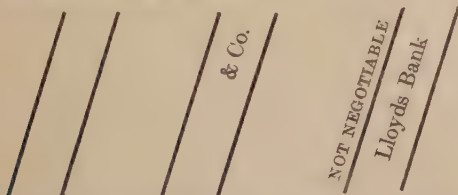
£106 5s. 0d.

(Signature).

Order Cheque. A cheque as above is known as an order cheque. Before such a cheque will be *met* by the bank on which it is drawn, it must bear the *endorsement* of the payee (usually, but not necessarily, at the back). If a cheque is made payable to "*Cash or order,*" it is, by custom, treated as a bearer cheque.

Bearer Cheque. When, instead of the words "*or order,*" the words "*or bearer*" appear on the face of the cheque, the banker must pay the amount of the cheque to *anyone* presenting it at the counter (unless the cheque is *crossed*). In other words, no endorsement is necessary for a bearer cheque. See also "*Stopped.*"

Crossed Cheque. A crossed cheque is so called because it has two transverse lines drawn across it, thus :



The two lines in themselves constitute a "*crossing,*" without the addition of any words, and the effect of such crossing is that the bank on which the cheque is drawn will not pay to a private individual, but only *through a bank*, even although the payee can establish his identity. The

insertion of the words "& Co." adds nothing to the significance of a crossing, but if the name of a bank is inserted, the paying bank will only meet the cheque if it is presented to them by the institution named in the crossing. Hence this latter form is known as a "*special crossing*."

Not negotiable. The Crossed Cheques Act, 1876, contains the following clauses :

"12. A person taking a cheque crossed generally or specially, bearing in either case the words '*not negotiable*,' shall not have and shall not be capable of giving a better title to the cheque than that which the person from whom he took it had."

"But a banker who has in good faith and without negligence received payment for a customer of a cheque crossed generally or specially to himself shall not, in case the title proves defective, incur any liability to the true owner of the cheque by reason only of having received such payment."

The following practical maxims may be relied on :

1. Never take a cheque marked "not negotiable" from a stranger, nor even from one who is not a stranger, unless his general reputation for honesty and integrity is known to you.

2. With this proviso, a cheque so marked may be safely taken, and passed through any number of hands ; but, as a rule, the sooner it finds its way to the banker, the better.

Open Cheque. A cheque not crossed in any way is called an "open cheque."

Stale Cheque. A cheque which is *out of date*, through failure to present it promptly. Bankers use their discretion as to whether they pay a stale cheque or not.

Traveller's Cheque. See "*Letter of Credit*."

Reasons for Non-payment. There are many circumstances which may prevent the payment of a cheque, which may be classified as :

(a) Instruction of the drawer (*i.e.*, *stopping* of the cheque).

(b) Change in the status of the drawer. A banker may not pay a cheque after he hears of the death or bankruptcy of the drawer.

(c) State of the drawer's account. When the state of the drawer's account does not warrant the payment of his cheque, the latter should be returned at the earliest possible moment to the remitter with a brief indication of the reason for non-payment. Thus, "*Effects not cleared*" implies that the drawer of the cheque has made payments to his bank adequate to cover the amount of the cheque, but that as the formalities of collection are not complete, the payments are not yet credited to his account and are therefore not available for meeting his cheque. "*Refer to Drawer*" (R/D) is a polite way of stating that the banker has not what is vulgarly known as "the needful" to the drawer's credit. A more blunt way of putting it is "*Not sufficient funds*" (N/S). In England a cheque for £25 may be

honoured by the banker even after he has returned a cheque for £50 marked "N.S.," but by Scotch law the first cheque not duly met establishes a *lien* on the balance of the drawer's account, and no later cheques can be met.

For the extraordinary popularity of cheques in this country, see "*Bankers' Clearing House.*"

CHEQUE RATE. (*Fr.* Cours pour billets à vue ; *Ger.* Checkkurs.) The rate of exchange for bills of exchange payable at sight. The number of days to be considered varies with the location of the domicile of the drawees. Thus, sight bills on Paris may be presented the day after they are drawn, and therefore the Paris cheque rate is virtually the same as the rate for *telegraphic transfers*, whereas sight drafts on New York will not come forward for six days after they are drawn, and if the "*cable transfer*" rate on New York is 4·8945, the cheque rate (or "*sight rate*") will be 4·8895. See also "*Foreign Exchanges.*"

CHOSE-IN-ACTION. (*Fr.* Choses en action ; *Ger.* Rechtsobjekt.) A term much used in commercial law, and intended to denote the distinction between property or things in one's *possession*, and property or things in which one has a *right of action*. The owner of a Consol bond may have the property in his possession, but the dividend due upon it is not in his possession. In the dividend he has a *chose-in-action* ; in plain English, he has a right to claim it in a court of law, if such a course should be necessary. Again, suppose I pay into my banker's a five-pound note ; before it was paid in it was a thing in my possession, but as soon as I have paid it in, and it is placed to my credit on the banker's books, I lose all property in the note itself, and have in return a chose-in-action—that is, the right to demand at any time I please the sum of five pounds, or something of equal value. In the practice of banking this distinction is of great importance, and the non-observance of it often leads to much confusion of language on the part of those who have failed to make the distinction. See also "*Action*" and "*Right of Action.*"

CIPHER. (*Fr.* Ecriture en chiffre ; *Ger.* Geheimschrift.) Strictly speaking, a *secret* system of communicating messages from one party to another, which messages will be unintelligible to third parties. Nowadays, however, the term *cipher* is loosely applied to any code words used for *condensing* messages, whether secret or not. See "*Codes.*"

CIRCULAR LETTER OF CREDIT. (*Fr.* Billets circulaires ; *Ger.* Zirkular-Akkreditive.) See "*Letter of Credit.*"

CIRCULATING MEDIUM. (*Fr.* Agent monétaire ; *Ger.* Umlaufsmittel.) Synonymous with "*Currency*" (*which see*). It is, however, desirable to observe that *currency* is a property or quality of the *circulating medium* and not the medium itself, although in commerce the

two terms are generally confounded. The term *circulating medium* is properly applied to money, bills, and bank or treasury notes, because these are the instruments by *means* of which the *circulation* of commodities is effected, and not because they *themselves* circulate.

CIRCULATION. (*Fr.* Circulation monétaire; *Ger.* Geldumlauf.) The work done by the Currency of a country (see "*Currency*"). It is frequently confounded with the currency itself, the two words being used as though they were synonymous. But they are not. There may be a large amount of currency in a country, with a small circulation, or, on the other hand, a small amount of currency may be associated with a large circulation. Whenever the word circulation is intended to mean the same as currency, it is advisable to use the phrases "Coins in circulation," "Notes in circulation," etc.

The term *circulation* has also a restricted meaning as employed in the Bank of England Return (*which see*). By the Bank Charter Act it is provided "that all bank-notes shall be deemed to be in circulation from the time the same shall have been issued from any banker, or any servant or agent of such banker, until the same shall have been actually returned to such banker, or some servant or agent of such banker." The meaning of the word is sometimes extended so as to include the notes held *in reserve* in the Banking Department of the Bank of England. This is incorrect. Although these notes have been given out by the Issue Department, they are not in circulation so long as they are held in reserve by the Banking Department. It is the practice of some writers to speak of the notes actually passing from hand to hand as the "*Active circulation*," whilst those held in reserve are called the "*Passive circulation*."

At the close of the war (1919), with no gold coin in circulation, the business of the country was being conducted by means of, roughly, £350 millions Currency Notes (£1 and 10s.) and £80 millions Bank of England Notes (£5 and upwards), apart, of course, from silver and bronze token money. But note also that cheques were being passed through the Bankers' Clearing House at the rate of almost £50,000 millions per annum.

In 1914, the total of notes in circulation in England was only about £30 millions (all Bank of England Notes).

CLEAR, TO. Has several distinct meanings:

- (a) (*Fr.* Passer au bureau central; *Ger.* zur Abrechnung einreichen.) To pass through a *Clearing House* (*which see*).
- (b) (*Fr.* Passer la douane; *Ger.* Eingangs-oder Ausgangs Deklaration fuer das Zollamt.) By the *Clearance* of vessels in port is meant the examination of them by Customs officers, after notice has been lodged of their arrival or intended departure. If everything is in order, the Customs authorities issue a certificate to that effect, known in the case of an incoming vessel as a

"*Clearing Bill*" or "*Jerque Note*"; and in the case of a vessel leaving port, as a "*Clearance Label*." Imported goods, even non-dutiable articles, have to be *cleared* at the Customs before they can be removed from dock or wharf; and dutiable goods exported as ships' stores have also to be cleared for export. See "*Customs*."

- (c) (*Fr.* Expédition; *Ger.* Spedition.) The collection, packing, and forwarding of goods by forwarding agents is sometimes referred to as "*Clearance of goods*." Many small traders, inexperienced in such matters, and unable to employ a special shipping clerk, find it pays them to call in a *forwarding agent* to find a suitable vessel, arrange freight, prepare Bills of Lading, pass the necessary Customs papers, effect insurance, and so on, for a moderate inclusive charge.

CLEARING BANK. (*Fr.* Banque de virement; *Ger.* Girobank.) A bank which has its representatives at the Bankers' Clearing House (*which see*).

CLEARING HOUSE. (*Fr.* Bureau de compensation; *Ger.* Abrechnungsbureau.) A Clearing House is a central institution conducted jointly by members of a certain trade or industry for the determination and settlement of mutual indebtedness. Only two such institutions are worthy of special mention:

- (a) The *Bankers' Clearing House* (*which see*).
- (b) The *Railway Clearing House* came into existence by a special Act of Parliament (1850), and is engaged in determining how *through fares* are to be divided between the companies whose rolling stock and lines are involved, the sums due from companies having *running powers* over other lines, and other problems which to the ordinary observer seem insoluble. If ever there was a place where abstract justice is unattainable, surely it must be the Railway Clearing House! But that is a point which need not bother the passenger who takes his through ticket, or the merchant who sends his goods on one consignment note over the lines of half-a-dozen companies.

CLIENTÈLE. (*Fr.* ditto; *Ger.* Kundschaft.) The circle of a firm's *connections*; its customers, in fact. The expression "*client*" has been adopted from the legal fraternity by the man of business, as it has a complimentary ring which is absent from plain *customer*.

CLOSE PRICE. (*Fr.* Tout dernier prix; *Ger.* allerbester Preis.) A price which leaves the smallest margin of profit to the intermediary. Also called *cut price*.

CLOSING PRICE. (*Fr.* Prix de clôture; *Ger.* Schlusskurs.) Quite a different thing from "*Close Price*." The prices quoted at the time the market closes are known as the closing prices, and the term

is familiar because practically all newspapers give the "*closing prices*" of Stock Exchange securities for the previous day. When closing prices are given for more than one market they are distinguished as "*New York closing*," "*Paris closing*," and so on. Notice that the closing referred to is always the official closing time; but often the market goes on, and hence later lists of quotations, known as "*street prices*," "*curb prices*," "*prix de coulisse*," etc.

CLOSING OF THE BOOKS. (*Fr.* Clôture des livres; *Ger.* Schliessung der Buecher.) When dividends are payable to registered shareholders it is obviously necessary—in view of the fact that transfers are constantly being lodged—to fix a certain date at which a list of shareholders is to be drawn up for dividend purposes. Transfers are accordingly suspended for the time being, after due notice in the financial press. The books (*i.e.*, only the *transfer books*) of the company are said to be *closed*; in other words, no transfers will be made until the books *open* again on the date specified. The notice of closing reads somewhat as follows:

"Notice is hereby given that the transfer books of the above stock will be closed from — to —, both days inclusive, for the purpose of preparing the dividends due on the 1st proximo.

"Dividend warrants will be posted on —.

"Secretary."

CODES. (*Fr.* Codes; *Ger.* Codebücher.) A Code is an alphabetical compilation of phrases, separate words, figures, sums of money, etc., to each of which is assigned a "*code-word*" (or "*cipher*").

The purpose of codes is to facilitate and cheapen the transmission of *telegraphic* messages, whilst at the same time ensuring secrecy, at least as far as a casual observer is concerned. This latter qualification is necessary, since nowadays the majority of telegraphic messages are made up from the so-called *standard codes*, and are not, therefore, properly speaking, secret.

Secrecy, however, is not so important as economy to the ordinary commercial house, and the aim of all code experts is the utmost *condensation* of the matter to be telegraphed. The cheapness of inland telegrams makes the use of codes superfluous in preparing such messages, but for foreign telegrams—particularly to distant countries when the cost per word is high (*e.g.*, Buenos Ayres 2s. 9d.)—it becomes imperative to condense messages as much as possible. Code words must not exceed 10 letters (plain-language words 15), and the ingenuity of code makers turns on the following regulation of the International Telegraph Conference (1909), viz.:

"The words, whether genuine or artificial, must be formed of syllables capable of pronunciation according to the current usage of one of the following languages: German, English, Spanish,

French, Dutch, Italian, Portuguese or Latin. Artificial words must not contain the accented letters ä, à, â, é, ñ, ö, ü." (Art. VIII., 2.)

Some standard codes maintain their cipher words at the full length of 10 letters; others employ 5-letter ciphers, any two of which can be combined and telegraphed as one code-word. Other codes, again, are made up of 4-letter ciphers, five of which, when written down consecutively and bisected, form two code-words of 10 letters each. *Private Codes* (i.e., codes specially prepared for use between two firms in constant telegraphic communication) often employ 3-letter, or even 2-letter combinations in building up code-words. However, the need for *rapidity* in coding and *de-coding* messages, and also the difficulty of tracing mutilations (i.e., mistakes in transmission), serve as practical limits to the tendency of codes to become more and more complicated. Moreover, the cable companies have revived the plain-language message, by offering greatly reduced rates for the transmission of plain-language messages in the slack times of the day. See also "*Cabling*."

CODICIL. (*Fr.* Codicille; *Ger.* Kodicill.) A written addendum to a Will, explaining or altering it. In law it is considered as forming part of the original Will.

COINAGE. (*Fr.* Monnaie; *Ger.* gemuenztes Geld.) The coinage of a country consists of its metallic money, which is usually confined to coins minted by the Government of that country. The general use within a country of coins minted elsewhere is a sign of backwardness, economically speaking, except in the special case of the countries of the *Latin Union* (see "*Monetary Convention*"). See also "*Money*" and "*Currency*," and *Appendix*.

COLLATERAL, or COLLATERAL SECURITY. (*Fr.* Nantissement; *Ger.* Nebensicherheit.) Documents deposited with a creditor as additional security for a debt or loan. Of course, in all business transactions, the chief security of a creditor is the character and means of the debtor; but as a protection against loss through bankruptcy or other unforeseen misfortune, it is usual to require—especially in the case of loans—some additional, or *collateral*, security, which commonly takes the form of a deposit of Bills of Exchange, Stock Exchange securities, Bills of Lading, Bills of Sale, Policies, or other documents of value. It is very desirable that collateral should be of such a nature as to be, if occasion demands, convertible into cash without requiring signature, endorsement, or other action on the part of the debtor. Take, for example, the common case of a bank customer asking for an advance and offering a lease on his house as security. The deposit of the lease with the banker is said to confer an "*equitable mortgage*" on the banker, but it is obvious that if ever this collateral had to be realised it would first be necessary to take steps to have the equitable mortgage transformed into a *legal mortgage*, a troublesome business.

If the value of the collateral exceeds the amount of the advance, there is said to be a *margin* (*which see*).

COLLECTION. (*Fr.* Encaissement; *Ger.* Einkassierung.) To collect a bill, note, cheque, coupon, etc., is to present it for payment as agent for the holder, and to credit the latter with the proceeds.

A banker has not only to collect his customers' bills and cheques, but has also to attend to the encashment of any coupons which may be attached to securities left with him, either for safe custody or as collateral.

COMBINE. See "*Trust*" and "*Corner*."

COMMISSION. (*Fr.* Courtage; *Ger.* Remise, or Provision.) Payment made to an intermediary; in business, usually a percentage on a certain transaction or series of transactions. Thus, the remuneration of brokers is known as commission (or *brokerage*), likewise, the charge made by a bank for handling securities, effecting payments at a distance, etc. The commission paid to a financial house for consenting to accept bills drawn on them against deposit of security is called "*acceptance commission*."

For *Commission Scale* of the London Stock Exchange, see *Appendix*.

COMMITTEES. (*Fr.* Comité; *Ger.* Komite.) Although the only Committee dealt with under the Companies Acts is the so-called "*Committee of Inspection*" (see below), the committee system plays a very important part in the conduct of all big limited liability companies, banks, etc., and is deserving of a little more explanation than it usually receives in commercial handbooks.

Matters of a routine character, and important questions of general policy or principle, can well be dealt with at the regular *Board Meetings* of a company. But where a detailed scheme has to be considered, or a particular branch of the company's business or internal organisation has to be inquired into, it is better that small committees be appointed. Time is thus saved, and a definite conclusion more quickly arrived at. Bacon says: "At a long table a few at the upper end, in effect, sway all the business, but in the other form (a square table) there is more use of the counsellors' opinions that sit lower," but in practice it is found that the "counsellors that sit lower" are apt to be verbose and inconsequential. Hence the greater efficiency of small committees for the preparation of any detailed scheme, or the investigation of any complex system of business or accounts.

A Board of Directors has full liberty to appoint what committees it pleases; this does not imply any delegation of authority, since all acts of committees have to receive the sanction and approval of the Board as such. Some committees are of a permanent character, as, for example, Finance and Staff Committees; others are appointed for

sometime temporary purpose—for example, to report on the desirability of acquiring a certain building site, of engaging in a new kind of business, and so on. The following outline indicates the manner in which a committee makes its report to the Board:

REPORT of Committee appointed in accordance with Minute 6 (b) of Board Meeting 6th October, 19—, to interview candidates for the post of Secretary.

To the Board of Directors of the Guillemot Fur Trading Association, Limited.

Gentlemen,

Your Committee met at the Company's Office on November 14th last, and interviewed the three candidates selected by the Board in the order stated, viz.:

(1) MR. CLAUDE DUVAL.

(2) MR. ERIC McEWAN.

(3) MR. JOHN PIRBRIGHT.

Your Committee questioned the respective candidates on lines previously agreed upon, and made a special point of ascertaining their knowledge of conditions in Labrador, and their capacity to organise and control branch stations.

It was soon discovered that Mr. McEwan was not a suitable person to be entrusted with the post of Secretary, and with regard to the remaining two candidates, your Committee beg to report their observations as follows, viz.:

- | | |
|-------------------|-------|
| i. Mr. Duval | |
| ii. | |
| iii. | |
| vi. Mr. Pirbright | |
| vii. | |
| viii. | |

In conclusion, your Committee beg to recommend that, considering all the circumstances, it would seem that Mr. John Pirbright is the candidate most likely to give satisfaction as Secretary to this Company.

Yours faithfully,

(Sgd.) JNO. BURTON.
H. W. KEATS.
CHAS. MAYBRIDGE.

21st November, 19—.

Committee of Inspection. Where a section of shareholders are dissatisfied with the conduct of a company's affairs, they can, under Section 110 of the Companies (Consolidation) Act, secure the appointment of a "*Committee of Inspection*" by Special Resolution. If, however, the

malcontents are not powerful enough to carry a Special Resolution, they can still make appeal to the Board of Trade to appoint "*inspectors*," but this does not remove the directors from office.

COMMON SHARES. (*Fr.* Actions ordinaires; *Ger.* (Stamm) Aktien.) In view of the frequency with which American securities are dealt in on English exchanges, it is necessary to notice that what are known here as *ordinary* shares, are called *common* shares in the United States. See also "*Shares*."

CONDITIONS and WARRANTIES. (*Fr.* Stipulations; *Ger.* Bedingungen.) The Sale of Goods Act perpetuates a distinction of a somewhat technical character between a *condition* and a *warranty*, and as the matter is of considerable practical importance the points are dealt with pretty fully in the following paragraphs.

Unless a different intention appears from the terms of the contract, stipulations as to the time of payment are *not* deemed to be of the essence of a contract of sale; whether any other stipulation as to time is of the essence of the contract or not depends on the terms of the contract.

In England or Ireland:

(a) Where a contract of sale is subject to any condition to be fulfilled by the seller, the buyer may waive the condition, or may elect to treat the breach of such condition as a breach of warranty and not as a ground for treating the contract as repudiated.

(b) Whether a stipulation in a contract of sale is a condition, the breach of which may give rise to a right to treat the contract as repudiated, or a warranty, the breach of which may give rise to a claim for damages, but *not* to a right to reject the goods and treat the contract as repudiated, depends in each case on the construction of the contract. A stipulation may be a *condition* though called a *warranty* in the contract.

(c) Where a contract of sale is not severable, the buyer has accepted the goods, or part thereof, or where the contract is for specific goods, the property in which has passed to the buyer, the breach of any condition to be fulfilled by the *seller* can only be treated as a breach of warranty, and not as a ground for rejecting the goods and treating the contract as repudiated, unless there be a term of the contract, express or implied, to that effect.

In every contract of sale, unless the circumstances of the contract are such as to show a different intention, there is:

i. An implied *condition* on the part of the seller that in the case of a sale he has a right to sell the goods and that in the case of an agreement to sell he will have a right to sell the goods at the time when the property is to pass.

ii. An implied *warranty* that the buyer shall have and enjoy quiet possession of the goods.

iii. An implied warranty that the goods shall be free from any charge or incumbrance in favour of any third party, not declared or known to the buyer before or at the time when the contract was made.

Sale by Description. Where there is a contract for the sale of goods by description (see, e.g., "*Grading*"), there is an implied *condition* that the goods shall correspond with the description; and if the sale be by sample as well as by description, it is not sufficient that the bulk of the goods corresponds with the sample, if the goods do not also correspond with the description.

Quality and Fitness. There is no implied *warranty* or *condition* as to the quality or fitness for any particular purpose of goods supplied under a contract of sale, except:

i. Where the buyer expressly or by implication makes known to the seller the particular purpose for which the goods are required, so as to show that the buyer relies on the seller's skill or judgment, and the goods are of a description which it is in the course of the seller's business to supply (whether he be the manufacturer or not), there is an implied *condition* that the goods shall be reasonably fit for such purpose, provided that in the case of a contract for the sale of a specified article under its patent or other trade name, there is *no* implied condition as to its fitness for any particular purpose.

ii. Where goods are bought by description from the seller who deals in goods of that kind (whether he be the manufacturer or not) there is an implied *condition* that the goods shall be of *merchantable quality*; provided that if the buyer has examined the goods there shall be no implied condition as regards defects which such examination ought to have revealed.

iii. An implied *warranty* or *condition* as to quality or fitness for a particular purpose may be annexed by the usage of the trade.

An express *warranty* or *condition* does not negative a warranty or condition implied by the Sale of Goods Act unless inconsistent therewith.

Sale by Sample. In the case of a contract for sale by sample, there are implied *conditions*:

- (a) that the bulk shall correspond to the sample in quality;
- (b) that the buyer shall have a reasonable opportunity of comparing the bulk with the sample;
- (c) that the goods shall be free from any defect rendering them unmerchantable, which would not be apparent on reasonable examination of the sample.

CONSIDERATION. (*Fr.* Considération; *Ger.* Entschädigung.) In commercial law, *consideration* is one of the necessary features of any binding contract, except in the case of a deed. (See "*Law of Contract.*") It is defined as anything received by one party or suffered by the other.

CONSIDERATION MONEY. (*Fr.* Contrevaieur; *Ger.* Ausmachender Betrag.) A technical term applied to the sum entered in a transfer of securities as being the amount payable by the buyer to the seller. (See "*Transfer.*") The reason for the importance of the "*consideration money*" is that the amount of stamp duty on the transfer is determined thereby. As it frequently happens that one transfer of shares represents quite a number of transactions between parties who have come between the transferor, as original seller, and the transferee, as ultimate buyer, the Stamp Act specially provides that the consideration money payable by the sub-purchaser shall determine the amount of the stamp duty on the transfer. When shares are transferred, not as a result of purchase and sale, but merely as a matter of convenience, the consideration is said to be *nominal*, and the duty payable is 10s. per transfer, irrespective of the value of the shares involved. See also "*Stamp Duties.*"

CONSIGN, CONSIGNMENT. (*Fr.* Consigner, Consignation; *Ger.* Senden, Sendung.) To *consign* has a general meaning of to despatch goods, but it is also used in the special sense of sending goods to an agent or business friend for the purpose of sale. The expression bears the more general interpretation in the term "*Consignment Note*," a name applied by all railways to the printed form filled in by firms sending goods by rail, and corresponding, although much simpler in form, with the Bill of Lading employed in the case of sea transit.

The party sending goods is often referred to as the *consignor*, and the party to whom they are sent as the *consignee*.

CONSOLIDATED. (*Fr.* Consolidé; *Ger.* Konsolidiert.) A term of no special significance or legal effect; it is commonly applied to debentures and stock, and in that case implies that the issue to which it refers was a consolidation of prior issues.

CONSOLS. The market name for British Government 2½% Consolidated Stock, which, till 1914, constituted the major portion of the National Debt. See "*National Debt.*"

No date is fixed for redemption, the holder of Consols having, *technically*, only the right to the periodical interest payments; but a certain amount of the stock is, as a matter of fact, purchased from time to time by the, so-called, *Government broker* in the open market, partly for Savings Bank and other purposes, and partly for actual debt redemption.

The name *Consols* has long been a by-word for absolute security, but, unfortunately for holders, the certainty of the dividend has not been able to save our *premier security* (so-called) from a very serious depreciation in price. The reason for the fall in Consols has often been made a matter of political controversy, but the smallness of the yield, the growth in volume of many other excellent securities, and the permission accorded to trustees to invest in numerous higher-yielding Colonial

issues, are sufficient to account for a decline which, anyhow, has its counterpart in other countries. Not only was the private investor hit by the persistent fall in Consols; the banks, insurance companies, and other large institutions holding substantial amounts of Consols as reserve had to *write off* big sums year after year as a result of the shrinkage in the value of their Consols holdings.

The bulk of Consols are inscribed in the books of the Bank of England, and are transferred by entries in such books. Bearer bonds, with coupons, may be had for a nominal fee, but there is little demand for them, and a buyer of Consols can insist on delivery of *inscribed stock*. On the London Stock Exchange there is a special monthly settlement for Consols—known as Consols Account—always at the beginning of the month. See “*Settlement*.”

CONSUL. (*Fr.* Consul; *Ger.* Konsul.) A *commercial*, as distinct from a diplomatic, representative of one country resident in another. The importance of the appointment varies considerably with the size of the town or district to which the Consul is assigned, and quite commonly the Consul is merely a prominent business man of the place, not necessarily even a subject of the country appointing him.

The function of a Consul is to safeguard the interest of subjects of the state he represents, particularly in their commercial affairs, to report to his Government on trade conditions, new openings for merchants, etc., and often to act as a sort of composite magistrate, notary and registrar. Certain legal and commercial documents drawn up abroad are only valid if attested before a Consul, and for services of this sort a Consul charges a fee. See “*Invoice*.”

CONSULAR INVOICE. See “*Invoice*.”

CONSUMPTION. (*Fr.* Action de consumer; *Ger.* Verbrauch.) A term used with a technical significance in Economics. *Consumption*, in this sense, is the correlative to *Production* (*which see*); a commodity is said to be consumed when it is used for the direct gratification of the possessor, and not for purposes of sale, exchange, or saving. There are cases in which consumption is not equivalent to destruction or using-up, as, for instance, in the case of a work of art. A picture which passes into the hands of a collector, as distinct from a dealer, may be said to be *consumed*, in that it is withdrawn from the fields of production and exchange and is reserved for the gratification of a single person and his immediate friends. However, broadly speaking, the term *consumption* as employed by the economist corresponds roughly to the *using-up* or *employment* by certain units of the community of commodities and services *produced* by other units, and simple illustrations are afforded by such articles as bread, acting, navigation, and so on.

The earlier economists treated of the Production, Exchange and

Distribution of wealth (see "*Economics*"), and were inclined to assume that *consumption*, or, in other words, what became of wealth after *distribution*, was a matter outside their province. However, the realisation that the manner in which wealth is *consumed* has an important bearing on subsequent production has led economists to include consumption in their domain. The analytical studies of Mr. Chiozza Money offer many valuable sidelights on the question of "*economic consumption*."

Consumption is used by business men almost in the sense of "*Demand*," particularly in relation to certain raw materials. Thus the consumption of copper and steel rails, as mentioned in financial papers, does not mean the actual use of the metals, but rather their purchase, their disappearance from the stocks of the producers, or their elimination from what is technically known as the "*visible supply*." In the steel trade the railways are known as big consumers of rails, and, to descend to Yankee slang, it is *up to* the economist to prove that the ultimate consumers of the rails are the people who travel by the railways.

CONTANGO. (*Fr.* Report; *Ger.* Report, Prolongation.) Contango is a word used on the Stock Exchange as a name for the charge made by brokers for *carrying-over* or *continuing* a bargain from one Settlement to the next (see "*Stock Exchange*") instead of *closing* it. It often happens that when a purchase has been made by a client, no opportunity occurs in the course of the *account* of closing the bargain with a profit, and perhaps not without an actual loss, whilst there may be a probability that if the bargain is kept open longer a good profit may result. In such case the buyer arranges with his broker to *contango* (or *carry-over*) the stock. He receives a "*carry-over note*" showing the *rate* to be paid for the contango (either a percentage per annum or a certain sum per share), and at the same time a statement is made out, showing the money due for the original purchase and the proceeds of a fictitious sale at the official *making-up price* of the *contango day*. If the making-up price is higher than the original purchase price, there is a *difference* due to the buyer; if the contrary is the case, there is a *difference* due to the broker. Cf. "*Backwardation*."

Contango Day. Contango business is quite an important branch of Stock Exchange activity, and hence it is manifestly essential that at the time of each bi-monthly settlement there should be general agreement as to what is to be taken as the price at which any given stock is to be worked out, in order to arrive at the *difference* referred to above. This difficulty is met by the fixing, by the Stock Exchange Committee, of official *making-up prices* for every single security in the "*Official List*." (See "*Listing*.") For *Mining* stocks these making-up prices are fixed three ordinary business days (disregarding Saturdays) prior to the actual "*Settlement*" (*which see*), and this day is

known as "*Mining Day*." All other securities have their making-up prices fixed on the day following "*Mining Day*," and known as "*General Contango Day*." If on the morning of "*Mining Day*" or "*General Contango Day*," as the case may be, a buyer or seller does not arrange to *continue* his transaction, the bargain will be closed, that is to say, if he has bought, he must *take up* the stock and pay for it; if he has sold, he must *deliver* the stock in order that his broker may pass it on to the buyer. See also "*Settlement*."

N.B.—Since August 1914 Contango business has been suspended.

CONTRACT, LAW OF. (*Fr.* Droit de contrat; *Ger.* Kontraktgesetz.) A *Contract* is an agreement between two or more persons, enforceable at law, by which rights are acquired by one or more parties to acts or forbearances on the part of others.

From a legal point of view the necessary elements of a binding contract are:

(a) *Offer and Acceptance*.

(b) Evidence of the intention of the parties to affect their legal relations; which may be furnished either by "*Form*" (*e.g.*, a Deed) or "*Consideration*."

(c) Capacity of the parties to make a valid contract.

(d) Genuineness of both Offer and Acceptance.

(e) Legality of the purpose of the parties.

A distinction is drawn between "*Specialities*" (*i.e.*, Contracts under Seal) and *Simple Contracts*.

Even simple contracts require written evidence in the following cases, *viz.*:

i. Promise on the part of a personal representative to answer for liabilities of the deceased out of his own estate.

ii. Promise by one person to answer for the debt, default or mis-carriage of another (*i.e.*, sureties).

iii. Contracts concerning lands, tenements or hereditaments, or any interest in or concerning them.

iv. Contracts not to be performed within one year.

v. Contracts in consideration of marriage, and also by provisions of the "*Sale of Goods Act*" (*which see*).

Contracts with *infants* (in the legal sense, of course) cannot be enforced except where necessities are supplied, or where there is a contract for service which might reasonably be supposed to benefit the infant. *Money lent* is never considered as a necessary (!), unless it was expressly lent for the purchase of necessities.

Misrepresentation. If a contract has been induced by a material misrepresentation, the aggrieved party may rescind the contract unless:

(a) Benefit has been taken under the contract, or any act performed which amounts to affirmation.

- (b) An alteration in the circumstances makes it impossible to restore the *status quo ante*.
- (c) A third party has *bona fide* and for value acquired rights to the goods which are the subject of the contract (except where the misrepresentation took the form of impersonation).

Restraint of Trade. In common law agreements in restraint of trade are void, but two classes of contract in restraint of trade are permitted :

- i. Contract entered into by the seller of a business not to open another establishment within a certain radius (which must be *reasonable*).
- ii. Contract entered into by an employee or agent not to set up in opposition to his employer within a certain time.

For fuller treatment of the above-mentioned points, see Anson's *Law of Contract*.

CONTRACT NOTE. (*Fr.* Contrat; *Ger.* Kontrakt.) A written confirmation by a broker of business done. The following is a specimen of contract issued by a member of the General Produce Brokers' Association of London :

THOMAS BIRD,

79, Mincing Lane,

London, E.C. 7th Dec., 1914.

Messrs. Jayenn, Powell & Co.

Dear Sirs,

We have this day BOUGHT by your order and for your account ex "Lady Palmer" 14/389

Lot 76.

V.L. 7/13 7 Bales Gum Arabic

@ 45/- p. cwt.

Customary allowances. The goods are at the risk of sellers (to the amount of the Contract value only) until the Prompt Day, or delivery of Warrants, or Order for Delivery, or the day of payment, whichever may first happen.

Any dispute arising out of this Contract to be settled by arbitration in accordance with the rules of the General Produce Brokers' Association of London.

Public Sale Conditions as arranged and published by the General Produce Brokers' Association.

Prompt 21—12—14

Your obedient Servant,

Discount $2\frac{1}{2}\%$

THOMAS BIRD,

Brokerage *half* per cent.

Sworn Broker.

CONVERTIBILITY. (*Fr.* Convertibilité ; *Ger.* Umtauschrecht.) Capability of being exchanged. Thus Scrip is said to be *converted* into definitive bonds or shares ; old bonds into new bonds ; bullion into coin ; gold into bank-notes ; bank-notes into gold, when either is *exchanged* for the other.

The term *Convertibility* has a special, technical meaning when applied to bank-notes and other forms of "paper money." It then signifies the capability of exchanging such paper into gold at any moment when the holder wishes to do so. The convertibility of a note is considered perfect when the bank issuing the note holds in its vaults a quantity of gold (bars or coin) equal in value to the nominal amount of all the notes issued. No bank in existence actually does this ; but the Bank of England (*which see*) offers security for the value of its notes almost equivalent, inasmuch as the whole of its notes are represented by bullion in its vaults plus Government securities of the first class. (See "*Bank Charter Act.*") With every decrease in the amount of bullion held, a corresponding amount of notes is withdrawn from circulation.

It may be asked, What is the use of paper money at all, if gold and other valuable securities must always be kept in reserve in order to render it convertible ? Several advantages arise from the use of *Paper Money* (*which see*).

See also "*Convertible Bonds*" (under "*Bonds*").

CO-OPERATION. (*Fr.* Coopération ; *Kooperation.*) To co-operate is simply to work with someone in order to secure some desired result. In this sense the word has long been in use, and unrestricted in its application. Within the last hundred years, however, the term has acquired a technical meaning in commerce, where it is used to express the distinctive principle on which certain associations are formed, known as "*Co-operative Societies.*"

To quote from Catherine Webb's authoritative text-book, *Industrial Co-operation*, the Co-operative Ideal is "by means of mutual association to eliminate the present competitive industrial system, and to substitute mutual Co-operation for the common good as the basis of all human society. This ideal of mutual service—'Each for all, and all for each'—is the very essence of the faith of Co-operation. It may seem paradoxical, but it is nevertheless true, that by the principle of service for service, the instinct of self-interest is made to promote the common good."

Put in a more material form, the objects of Co-operation are :

- i. To reconcile the interests of *Capital* and *Labour* by enabling the labourer to become to a certain extent his own capitalist.
- ii. To minimise the cost of distribution of commodities among customers.
- iii. To dispense in some measure with the services of middlemen.

- iv. To avoid the loss incident to "credit" trade among retail dealers.
- v. To secure unadulterated goods by giving no one an interest in adulterating them.

The nature of the co-operative movement, and its intimate relations with trades-unionism, ensure to the rank and file of co-operative employees reasonable wages and conditions of labour; but the higher posts are underpaid, compared with ordinary competitive business standards. High moral purpose is not necessarily accompanied by *business brains*, and it takes something more than the stipend of a parson to command the services of a properly qualified organiser. This being so, it is just as well that in choosing their sphere of activity co-operators admittedly confine themselves to something *safe and simple*. Thus:

"In the Co-operative Wholesale Society, production has developed . . . along the lines of least resistance. The capital of its members has been put into industries where there was least likelihood of failure. . . . Thus we find the Wholesale engaged in the manufacture of goods that are in great demand, as well as in minor industries where great injustice to both consumers and producers is done outside." (Co-operative Wholesale Societies' Annual, 1902.) Foreign trade in its entirety, not to mention *haute finance*, is deliberately left to the care of "*irresponsible individuals*" in unholy, competitive trade; such creatures "may gain by taking advantage of others, but Co-operators cannot profit by cheating themselves." (!)

CORNER. (Used also in French and German.) A market term meaning to obtain control of the market in a certain commodity or security. In the ordinary way this can only be done by purchasing a large proportion of the total supply, or by getting all the principal holders to act in concert with a view to driving up prices. The term is most commonly associated with the *wheat pit* of Chicago, but since a trust-busting President came into office operators have thought it expedient to refrain from the more flagrant forms of market manipulation. See also "*Trusts*."

COSTING. (*Fr.* Coût de fabrication; *Ger.* Selbstkostenpreis.) Of late years much attention has been devoted to instituting in large factories and workshops elaborate schemes for determining what a given article actually costs to make, what proportion of such cost is represented by component parts and labour, and also what proportion of general establishment charges, rent, power, clerical staff, etc., can fairly be booked to certain products. Such systems involve the employment of a costing expert, the keeping of special *costing ledgers*, and a certain amount of *booking* by each operative. The following is a specimen of a form to be filled in daily by the "*minder*" of a printing machine:

REPORT OF WORK

produced at No.

Machine, on

19

By , Minder.

NAME OF WORK. No. or Sig. to be Stated.	TIME MAKING READY.	NO. OF REAMS PRINTED.	TIME WORKING.	INK USED.		ASSISTANCE IN MAKING READY.	
	Hours.		Hours.	lbs.	oz.	Name.	Hours.
NOTICE. —This portion of the paper must be filled up by the Machine Minder, and given to the Overseer on the same day before leaving.							

Remarks { Signed Overseer

NAME OF WORK.	WET PAPER GIVEN OUT.			QUANTITY RETURNED TO COUNTER.		WHITE WASTE OR SAVINGS.
	Reams.	Quires.	Size.	Work.	Waste.	Sheets.
NOTICE. —The Wetter to receive this paper from Machine Overseer at 10 a.m. on the day following—to fill in required particulars immediately—and hand it to Counter. Counter to fill in particulars and send it to Counting House before 2 p.m.						

Signed Wetter. Signed Counter.

COST OF PRODUCTION. (*Fr.* Travail de production; *Ger.* Produktionsarbeit.) In the mouth of the business man the words "*Cost of Production*" mean simply what an article "costs to make," in the sense indicated in the previous paragraph. The economist, however, has chosen to make a distinction between "*cost of production*" and "*expenses of production*." By the former he understands the *actual* effort, sacrifice, abstinence, waiting, etc., involved in production, regarding the money cost (the expenses) merely as a sort of rough-and-ready approximation. The distinction is certainly illuminating, and has an important bearing on problems of wages, conditions of work, etc. See also "*Labour*."

COUNTRY BANKS. (*Fr.* Banques de province; *Ger.* Provinzbanken.) Not banks in villages, but banks in *provincial* towns. However, not all banks in provincial towns are, strictly speaking, country banks, as this term does not, technically, apply to branch offices of the banks which have their head offices in London. See also "*Bank of Issue*."

COUNTY COURT. County Courts have a very limited jurisdiction; in ordinary cases (*i.e.*, claims for debt or damages) the sum involved must not exceed £100, though in certain Chancery cases the limit is £500, and cases under the Workmen's Compensation Acts can be dealt with up to any amount. Outside the London area County Courts have also a limited jurisdiction in bankruptcy cases.

When the sum in dispute exceeds £20, there is a right of appeal to the High Court on questions of *law* only.

COUPON. (*Fr.* Coupon; *Ger.* Kupon.) The small, detachable slips attached to a share or bond certificate, entitling the holder to a stated amount of interest or dividend, usually on a stated date. When a dividend falls due on such shares or bonds, the coupon relating thereto is *detached* (or "*cut*") and presented for payment. The verification and payment of coupons forms a large part of the routine work of such big issuing houses as Rothschilds, Barings, etc. An enumeration of the following counsels of perfection will serve to emphasise the essential features of a coupon:

- i. Every coupon should bear on its face such words as indicate the nature of the bond or share certificate from which it is detached; otherwise when the certificate is not accessible, difficulties may arise.
- ii. The bank or firm by whom the coupon will be paid should be stated thereon.
- iii. The value of the coupon should appear in plain figures, or be indicated by a distinctive colour. This, of course, does not apply to share coupons, where the rate of dividend is variable.
- iv. The date of payment should be stated.

v. Also the bond or share *number*, as otherwise there could be no check on fraudulent duplication of coupons.

Coupon Notes. A company unable to meet coupon payments sometimes—rather than actually default—makes a special issue of “*Coupon Notes*,” which are given in exchange for the coupons due. These Notes bear interest, usually at a substantial rate (say 6%). The National Railways of Mexico issued such coupon notes during the Revolution.

COURSE OF EXCHANGE. See “*Foreign Exchanges*.”

COVER. (*Fr.* Nantissement; *Ger.* Deckung.) Securities deposited with a banker or stockbroker against a loan or contango. Sometimes it is used to mean only the *difference* between the value of the securities pledged and the amount of the loan, but in that case “*margin*” is a better term. See “*Margin*.”

COVER NOTE. (*Fr.* Garantie d'assurance; *Ger.* Deckungszettel.) As it takes some little time to draw up a formal policy of insurance, and as it is sometimes important that the insurer should have immediate documentary proof that the insurance has been effected, it is the practice of the companies to issue *cover notes* as soon as an insurance has been undertaken, pending issue of the policy itself.

Or again, a person making a shipment under a “*Block Policy*” (*which see*) may under certain circumstances (see e.g., “*Document Bill*”) require written evidence that insurance has been effected on a certain shipment; in such case, the insurance company will supply a formal declaration that the goods are *covered* by floating policy, and such declaration is sometimes also called a *Cover Note*.

CREDIT. (*Fr.* Crédit; *Ger.* Kredit.) *Credit* signifies, primarily, trust reposed in a person with whom one deals. To sell a person goods for which he is not required to pay till after the lapse of some time is to *give credit*, and implies a belief that the person can and will pay the money when it falls due.

(a) When a bargain has been agreed to between two parties, and one of them hands over certain goods to the buyer, the other loses all property in them, and if, by the terms of the bargain, the buyer is not to pay for them, say for three months, the seller stands in the position of *creditor* (that is, he has given credit) to the buyer; he can neither claim the goods back nor demand any specific money for them in the meantime. But he has at law a Right of Action against the buyer, which he can put into force if at the end of the three months the money is not paid. Hence *Credit* has been defined as “a Right of Action against a person for a sum of money.”

(b) In *Book-keeping*, “to put to one’s credit” is to enter a transaction in such a way as to show that the person referred to has a “right

to demand " something, not necessarily money, even though the value of that something be expressed in money. For example, suppose a Bill of Exchange for £100 be received by a London merchant from a correspondent in Antwerp. The Bill would be placed " to the credit " of the correspondent in his account. If, however, the Bill was not met for want of funds when it became due, the London merchant would *debit* his Antwerp correspondent with the amount, and return the Bill ; and this is all that the Antwerp party has a right to demand in such a case.

(c) A Credit in *banking* is an entry in the books of a banker implying that a customer has deposited money or notes with the banker. In such a case the depositor loses all property in the cash and notes, and in return has the book entry, which is called a " credit," and entitles him to claim at any time money or notes of equal value.

(d) The *credit of a firm* means the amount for which they are *good*, or, in other words, the total amount for which it is safe to give them credit. Hence Credit, in this connection, comes to bear almost the same meaning as respectability, or business reputation.

A firm's credit is an invisible asset of the greatest possible importance. The mere suspicion that a firm is not *good for its engagements*, as it is termed, causes the firms from whom it gets its supplies to impose more onerous terms for every transaction, or even to insist on immediate cash payment. Thus the firm is at once placed at a disadvantage when competing with firms which enjoy better credit, its turnover is restricted, profits therefore decline, and in turn the credit of the concern suffers still further. See also "*Goodwill*."

CRISIS. (*Fr.* Crise ; *Ger.* Krisis.) Based as it is upon a wholesale adoption of the *credit* principle, the commercial and financial world of to-day is liable to certain temporary disorders arising from sudden restrictions of credit, due, as a rule, to public uneasiness and anxiety, such as may be occasioned by an outbreak of war, an unexpected banking failure, or something of that nature.

Credit is largely a matter of psychology. When *trade is good*, as the saying is, optimism prevails in all quarters ; credit is freely given, big contracts are placed, new enterprises freely embarked upon, companies floated to conduct every possible and impossible kind of business. There is, however, a limit to what has been called the *superstructure of credit* that can be built upon a given basis of legitimate trade. For a time the prevailing optimism conceals the ephemeral nature of the *boom*, but any sudden cracking of the ice will cause a stampede ; optimism gives place to anxiety ; rumours of all sorts arise and get blacker in circulation ; everyone suspects the financial stability of his neighbour ; credit is withdrawn all round ; firms are unable to get together sufficient cash to meet their obligations, and failures follow one another in consequence. The resulting *débauche* is called a "*Crisis*," and although

in the *long run* trade will resume its normal course, that will not console the firms who go under never to reappear.

The fact that commercial crises in this country during the middle of last century occurred at fairly regular intervals of ten years led to the theory that trade moved in decennial *cycles* of stagnation, recovery, activity, over-speculation, and collapse. An elaboration of this theory ascribed the crises indirectly to bad harvests, and the bad harvests, in turn, to *sun-spots*. Fortunately, however, really serious crises have not latterly occurred here with such regularity, and the worst time experienced this century was rather a reflection of trouble elsewhere than a home-made crisis. The banking world will long remember the big financial crisis in the United States in the latter part of 1907. It began with a suspension of payments by the Knickerbocker Trust, and spread throughout the States in an alarming manner. It was essentially a *money crisis*, and currency commanded a premium of 3% in New York City. At the end of the third week in October the Treasury's "Working Balance" had been \$55,000,000. At the end of the last week it was only \$6,500,000. In the Southern cities cash withdrawals from the banks were limited to \$25 for each depositor. In Oklahoma City the local bankers met to devise means for realising sufficient money to provide for the marketing of perishable products and to meet the withdrawals of deposits for the payment of wages. Food prices dropped; killing ceased in the "packing-houses"; cattle trains were stopped *en route* and the cattle placed in feeding-pens. Europe soon felt the effect of such a state of affairs, and a good deal of anxiety prevailed in all the big centres. The Bank of England Rate was put up to 7% in November to protect the gold reserve of this country, and the whole banking community had a very trying time.

The American Crisis of 1907 will better repay examination by the student than the financial and industrial problems that have arisen since 1914, as direct Government action in nearly every sphere complicates any estimate of the purely economic phenomena of the war period. See also "*Over-Production*."

CRORE OF RUPEES. 10,000,000 Rupees, written 1,00,00,000. See also "*Lac*."

CUM DIVIDEND. (*Fr.* Dividende compris; *Ger.* Inklusive Dividende.) Means simply, "with the dividend," and is a Stock Exchange term applied to shares or bonds (in the latter case sometimes expressed "cum coupon") which carry with them the right to the pending dividend. Just about the time that a dividend is payable it is obviously very important for a buyer of shares to know whether or not he will receive the pending dividend, and hence the price is always given as "*cum* dividend" or "*ex* dividend," as the case may be, so that no dispute can arise later.

CUM NEW. (*Fr.* Nouveaux titres compris; *Ger.* mit jungen Stuecken.) A dividend is not the only privilege that may attach to shares; sometimes when a new issue is made the old shareholders have the right to take up new shares on advantageous terms, and anyone purchasing shares about that time must know definitely whether or not he will receive the new shares allotted in respect of the old. More generally shares are dealt free of the new stock some time before the latter is allotted, and so it is more usual to talk of shares as being "cum" or "ex" *Rights (which see).*

CUM RIGHTS. (*Fr.* Droits de souscription compris; *Ger.* mit Bezugsrecht.) "With the right to apply for new shares." See under "*Cum New*" above.

CUMULATIVE PREFERENCE SHARES. (*Fr.* Actions privilégiées cumulatives; *Ger.* Aktien mit hinzugefuegten Dividenden.) Preference shares bear a fixed rate of interest, but if the profits of the concern do not permit of such dividend being paid it is lost to the shareholders for good. Hence, as an additional attraction, preference shares are sometimes made *cumulative*, in which case a dividend that is *passed* must be made good to the shareholders as soon as profits permit. See also "*Shares*" and "*Dividend.*"

CURRENCY. (*Fr.* Monnaie légale; *Ger.* Waehrung.) The property or quality of being current, or of circulating freely. Owing to the fact that this property is found in the things we call money, such as coins, bank-notes, etc., the term *currency* (by a process common in most languages) has been transferred from the quality itself to the things possessing it. Hence, money, notes, bills of exchange, and the like, are commonly called "Currency," but might with much more correctness be called "*Circulating Medium*" (*which see*).

The term *currency* is by some writers restricted to the money current as a legal tender in any given country. When the precious metals are the legal tender, and bank-notes are *convertible* into coin at any time, the term "*Metallic Currency*" is employed. When *paper money* is by law legal tender, but *inconvertible*, in other words, when the holder of bank or Government notes is not entitled to claim coin for them, the term "*Paper Currency*" is employed. See "*Paper Currency.*"

Currency by Tale. That form of currency which admits of being passed from hand to hand by simple counting, without the use of scales, or touchstone, or other test of weight or purity. Coins of a distinct shape are always used when currency by tale is established. It is probable that among the earliest of such coins was the Greek *obolus*. *Oboli* were stamped spikes or bars, and six of them made up a *drachma*, or handful, thus giving the name to the modern Greek coin.

Currency by Weight. The primitive form of most metallic currencies. Before the invention of coining, wedges, bars or fragments of metal were used as a medium of exchange, and payments were made by weight only. The inconvenience of always having to carry about a balance and weights when accounts had to be settled was so great as to render any contrivance welcome which would enable merchants to dispense with so cumbrous an apparatus; the contrivance hit upon, and ever since practised, was the division of a given metal into pieces of equal weight, each being impressed with a seal or stamp under the authority of the Government, to assure the recipients that the pieces of metal were of the lawful purity and weight. After that it was only necessary to count the pieces instead of weighing them.

Currency Notes. A product of the war of 1914-19. Currency Notes are now a highly important feature of our monetary circulation, and greatly exceed in amount the Bank of England Notes which, prior to August 1914, were virtually the only form of paper money known in this country. See "*Circulation.*"

On the outbreak of war the representatives of the leading London banks favoured a currency scheme which they had previously been advocating, and which was to consist of amending the Bank Charter Act (*which see*) to enable Notes to be issued against the deposit of one-third gold and two-thirds securities. This idea, however, was opposed by the Bank of England, and as time was pressing (the prolongation of the Bank Holiday could not be continued beyond August 6th), it was finally decided that no change would be made in the Issue Department of the Bank of England, but that the Treasury itself would issue Notes, against deposit of securities.

At first these new Notes were known as "Treasury Notes," or "Bradburys" (from the name of the then Secretary of the Treasury whose signature appeared on each Note), but their official designation is "Currency Notes."

A weekly return is published in the "London Gazette," showing the amount of Currency Notes in circulation, and the securities backing them. As the war progressed the amount of Currency Notes in circulation went up by leaps and bounds, but as there was a phenomenal demand for circulating medium, it was found unnecessary to pay much attention to the backing of the Notes. From the early part of 1915 until August 1919 the amount of gold held as reserve against Currency Notes remained at £28,500,000, whereas the total of Notes outstanding increased during that period from £40,000,000 to £340,000,000. In August 1919 Bank of England Notes (for a modest sum of £250,000) appeared for the first time as an addition to the Currency Note Redemption Account.

The extraordinary expansion of paper money circulation during and after the war is generally held to account in some measure for the tremendous inflation of prices.

CURRENT ACCOUNT. (*Fr.* Compte Courant; *Ger.* Laufendes Konto.) English banks make an important distinction between "Current Accounts" and "Deposit Accounts." If a customer pays in money on "current account," he can withdraw it again whenever he wishes, whereas moneys on "deposit account" can only be withdrawn after an agreed period of notice. No interest is paid on the daily balance of a current account; the interest paid on deposit accounts varies with the Bank of England Discount Rate, but used always to be at least 1% below Bank Rate. During the war the Government prevented the Banks from allowing more than 3% on Deposit Accounts, but this restriction was removed in August 1919, since which time some banks have offered the full Bank of England Rate on deposits "fixed for 12 months."

CUSTOMS. (*Fr.* Douane; *Ger.* Zollamt.) "*The Customs*" is the recognised abbreviation of the Board of Customs (since 1909 amalgamated with the Excise Department under the style of "*Board of Customs and Excise*").

Its function is the administration of the machinery for collecting import and export duties, the prevention of smuggling, making provision for *bonding*, payment of *rebates*, and so on.

In the south-east corner of the City, and throughout the length and breadth of dockland, the Customs is a power to be reckoned with, *sometimes* beneficent but *always* despotic, as becomes a Government Department.

The activities of the Customs can easily be visualised by paying a visit to the famous "*Long Room*" at the Custom House in Lower Thames Street, beyond Billingsgate. Here, in one spacious chamber whose windows overlook the *Inner Pool*, lies the book wherein all vessels entering the port are inscribed; here duties are paid, goods released from *bond*, whether as *duty-paid*, or for re-export, or for ships' stores, certificates of origin issued if required, etc. One end of the Long Room is partitioned off into small compartments, where all the various docks and riverside wharves are represented, and where forms can be lodged relating to goods lying at the respective warehouses. Elsewhere on the building are such aids to commerce as, for example, the *Statistical Department*, which besides preparing returns for blue-book purposes, exercises a sort of leisurely check on the various forms lodged by importers and shippers; if a form is missing, they seek diligently—but not hastily—till *somebody else* finds it.

The Long Room compares unfavourably with the *Circumlocution Office* in point of peacefulness and seclusion, whilst, moreover, the latter institution did not concern itself with the cargoes of vessels that come and go with the tides (even tramp steamers *do* go sooner or later). Like their confrères at Somerset House who want the Income Tax raised to 10s. to simplify their calculations, the officials of the Customs

are more concerned with their routine than with the interests of the trading community; they live in a world of forms—forms of all colours, sizes and degrees of complication, forms for paying duty, forms for claiming rebates or duty overpaid, forms permitting the withdrawal of dutiable goods for export, entry bills, specifications for free goods exported, and so on. A special volume would be necessary to explain the mysteries of these various documents, but the characteristic specimens in the *Appendix* will suffice to indicate their general features.

The Customs jurisdiction for the Port of London begins at Gravesend.

As there is a widespread impression, even among practical business people, that our Customs brings in substantial revenue from quite a lot of commodities, including all kinds of obnoxious foreign manufactures, it may be useful to point out that of an estimated Customs revenue of £119,000,000 for 1919-20, no less than £110,000,000 was to be derived from *four* articles, namely: Tobacco (£47,000,000), Sugar (£39,000,000), Tea (£14,000,000), and Spirits (£10,000,000).

D

DANDY NOTE. (*Fr.* Ordre de livraison (de douane); *Ger.* Zoll-Lieferungsschein.) A now obsolete term for *Warehousekeeper's Order*, authorising the delivery of dutiable articles.

DAY-TO-DAY MONEY (or *Daily Money*). See "*Call Money*."

DAYS OF GRACE. (*Fr.* Jours de grace; *Ger.* Fristtage.) See under "*Bills of Exchange*."

DEAD ACCOUNT. (*Fr.* Compte d'un mort; *Ger.* Konto eines Toten.) An account standing in the name of a person deceased. "When the probate of a will is lodged at the Bank, the stock specified only is placed at the command of the executors. But should there be any other funds in the name of the deceased party, the word 'deceased' is placed against the name; and this prevents unauthorised persons from receiving the interest. By the rules of the Bank also, no more stock can be added to that which is technically termed a 'dead account.'"—Francis' *History of the Bank of England*.

DEAD FREIGHT. (*Fr.* Faux fret; *Ger.* Fautfracht.) If a merchant *engages freight*, that is, bespeaks accommodation for certain goods by a certain vessel, he becomes liable to ship them, and if he fails to do so the shipowner has a right to sue for damages for the loss entailed by reserving the accommodation. Any sum paid by the merchant in respect of goods not shipped would be called *dead freight*.

DEBASEMENT. (*Fr.* Abaissement; *Ger.* Verfaelschung.) *Debasement* is a fraudulent process practised on a coinage, to which dishonest Governments have on many occasions had recourse in order

to supply themselves with funds which they could not extort from the people. To a limited extent it has also been practised by forgers, but this form of enterprise is usually called "making counterfeit coin," and debasement is understood to be the work of the Government itself, whose business it is to maintain its purity. The consequences of a debasement of the coinage are so serious that all civilised Governments now take the greatest precautions against it. The ceremony known as the "*Trial of the Pyx*" is performed with the express object of maintaining the purity of the currency as established by law.

DEBENTURE. (*Fr.* Obligation; *Ger.* Obligation.) A Debenture issue is a *loan* raised by a company, as distinct from *capital* contributed by shareholders. In the case of companies and corporations other than states and municipalities, the word Debenture is virtually synonymous with "*Bond*" (*which see*), and the adjectives applicable are as numerous.

The old distinction between Debenture Bonds and Debenture Stock—namely, that the former were redeemable and the latter not—is no longer observed; and if there is at the present time any distinction, it is that Debenture Bonds are for fixed amounts (see "*Denomination*") and Debenture Stock can be dealt in odd amounts. See "*Stock*."

The loan represented by a debenture issue is usually covered by a general charge on the assets and future profits of the concern, but may be secured by an actual legal mortgage of part or whole of the company's property, which mortgage is vested in so-called "*Trustees for the Debenture Holders*."

It is curious to observe that whereas in bankruptcy law a general assignment of book debts, unless registered as a bill of sale, is prohibited, a debenture issue may constitute a general assignment of all assets, past and future. The safeguard provided in the case of debentures is to be found in the provisions of the Companies Acts that "every limited company must keep a Register of all Mortgages and Charges specifically affecting the property of the company, in which must be entered a short description of the property mortgaged or charged, with the amount of charge created, and, except in the case of securities to bearer, the names of the mortgagees or persons entitled to such charge. If any property of the company is mortgaged or charged without such entry being made, every director, manager, or other officer of the company who knowingly and wilfully authorises or permits the omission is liable to a penalty of fifty pounds."—*Gore-Browne*. Such Register of Mortgages must be open to the inspection of *any creditor* of the company *without fee*.

Debenture interest is a debt on the part of the company, payable quite irrespective of whether any profit has been earned. The terms of issue usually confer on the debenture holders the right to *foreclose* after interest has been in default for a stated period. See also "*Shares*."

DEBT. (*Fr.* Dette; *Ger.* Schuld.) A duty or obligation to pay something; often applied, also, to the sum of money, or other commodity, owing; but in law and in commerce it is correctly used only in reference to the duty to pay. Since, wherever there is imposed on any person a duty to pay, there is also vested in some other person a right to demand, it is clear that two different and apparently contradictory names may be applied to the same thing—that is, the name of Credit or Debt, right or duty, may be used in reference to one and the same transaction. In using one term rather than the other there is a reference, expressed or implied, to the person. When no such reference is made, the terms Debt and Credit are synonymous both in law and trade.

Bad Debt. The name given to debts which are regarded as irrecoverable. A Balance Sheet properly drawn up always makes provision for “*bad and doubtful debts.*”

DECIMAL SYSTEM. (*Fr.* Système decimal; *Ger.* Decimal-system.) The United States of America, the leading countries of Europe and many other nations have now in general use systems of weights, measures, and coinage based on the decimal principle. Many attempts have been made to introduce the system in this country, but so far without success. Apart from sentimental objections and mere blank conservatism, there are certain practical difficulties in the way; the most important is that if the English coinage is to be decimalised, either the pound or the penny must be altered in value. Grave objections would be raised to altering the value of such a world-wide standard as the English sovereign, and the proper adjustment of the many outstanding “*deferred payments,*” ground rents, annuities, debenture interest, etc., would be a highly complicated matter; on the other hand, if the sovereign is allowed to remain at its present value, there would be no decimal denomination corresponding to the penny; the nearest substitute for the penny would be a coin valued at one-two hundred and *fiftieth* of one pound, and as such new coin would of necessity form the unit for a host of small payments, a good deal of discontent, and possibly injustice, would arise. See also “*Metric System.*”

DEED. (*Fr.* Acte; *Ger.* Urkunde.) A contract under seal. See “*Contract.*”

The word “*Deed*” has also several applications in connection with bankruptcy proceedings. Thus a “*Deed of Arrangement*” is a disposition of assets made by an insolvent debtor for the benefit of his creditors; a “*Deed of Assignment*” is a making over by such debtor of his property for the benefit of his creditors; whilst if the debtor places his business under the supervision of nominees of the creditors, the undertaking is called a “*Deed of Inspectorship.*”

DEFACING OF COIN. (*Fr.* Dépréciation de monnaie par moyens

illicites; *Ger.* Ungesetzliche Entwertung von Muenzen.) Coins may be defaced by, e.g., punching, cutting, clipping, sweating, etc. If a sovereign has been submitted to any of these indignities, it ceases, *ipso facto*, to be legal tender, although, of course, retaining its value as bullion. There is just one form of defacement which is *not* illegal, and that is the cutting of light-weight coin to prevent its further circulation. *Abrasion* (*which see*) is not, technically, defacement.

DEFAULT. (*Fr.* Défaut; *Ger.* Notleidend.) To “make default” means to fail to meet an engagement on the due date. The term is not much used in the case of private individuals or small traders, but is employed of companies, municipalities, and states. Failure to make a payment which is expected, but not *legally due*, does not constitute default. Thus, if a company, after distributing 10% on its ordinary shares for a number of years, suddenly *passes* (i.e., does not pay) the dividend, such non-payment is not, technically, a default, whereas omission to pay even one quarter’s debenture interest puts the company in default.

When firms or companies make default the remedy lies in ordinary legal proceedings. When states make default the remedy lies in “moral suasion” or gunboats. The “*Venezuela Diplomatic Debt*” serves as a permanent reminder of a famous naval demonstration in the interests of Finance (with a big “F”), but the humour of the subject lies in the fact that of the defaulting states on the Black List of the Corporation of Foreign Bondholders, all but one (Honduras) are members of that advanced and enlightened community, the United States of America. Guatemala defaulted for fourteen years and then repented her evil ways, but the United States defaulters, West Virginia, North Carolina, Georgia, etc., remain obdurate. The principal in default totals over £15,000,000 and the interest outstanding £36,000,000. Moral suasion has failed and gunboats have not been suggested.

A Stock Exchange defaulter is immediately “hammered.” See “*Stock Exchange*.” See also “*Bankruptcy*” and “*Dishonour*.”

DEFERRED BONDS. (*Fr.* Obligations différées; *Ger.* Aufgeschobene Obligationen.) Bonds which entitle the holder to a rate of interest which increases by stated increments at fixed intervals till a certain maximum rate is attained, when the bonds are sometimes said to become *active*.

DEFERRED PAYMENT. (*Fr.* Paiement différé; *Ger.* Aufgeschobene Zahlung.) Apart from malodorous association with hire-purchase systems, *Deferred Payment* is a term of Economics rather than commerce, and is most commonly employed when the permanency of a standard of value is under discussion. See “*Money*.”

DEFERRED SHARES. (*Fr.* Actions différées; *Ger.* Verzugs Aktien.) Shares which *rank* after other classes of shares (e.g., after

Preference, or Preferred Ordinary), that is to say, which do not have any claim to receive dividend until other shareholders have received a stated percentage on their capital. Founders' shares (*which see*) are a special kind of deferred shares. See also "*Shares*."

DEFERRED STOCK. (*Fr.* Capital différé; *Ger.* Verzugs Kapital.) Has the same characteristic as Deferred Shares as described above. For some inexplicable reason it has become a habit to call such stock "A" stock, whereas "Z" stock would surely better meet the case!

DEFICIENCY BILLS. (*Fr.* Avances provisoires au Gouvernement; *Ger.* kurzfristige Anleihen von der Bank von England an die Schatzkammer.) Occasionally the Bank of England advances money for very short periods to the Exchequer on the security of *Deficiency Bills*.

DEL CREDERE. (*Fr.* Du croire; *Ger.* Delcredere.) If an agent, in addition to the responsibilities ordinarily attaching to his agency, undertakes to guarantee the solvency of the parties with whom he does business on behalf of his principal, such agent is said to be a *del credere* agent. Of course, this assumed liability carries with it a consideration in the form of a somewhat higher commission rate; hence the term "*del credere commission*." This form of agency is particularly suited to merchants who have dealings with Continental cities through agents established in such centres, for the man on the spot is naturally better able to inform himself as to the financial standing of the local firms. See also "*Agent*."

DELIVERY. (*Fr.* Livraison; *Ger.* Lieferung.) Most Stock Exchange transactions used to be done *for the account* (see "*Settlement*"); others were effected for prompt payment (see "*Cash*"). It may happen, however, that a broker receives an order to sell securities which lie, perhaps, away in South America or some other distant place; in such case he may sell the securities "*for delivery*," which means simply that he is bound to deliver the securities when, and not until, they reach London, which may be a month or six weeks hence.

To Take Delivery has a technical meaning in the produce markets. If a merchant buys with, say, six weeks *prompt* (*which see*), he can nevertheless *take delivery* of the goods at any time before the expiry of the six weeks. He sends to the broker a formal notification, beginning: "Please note that I wish to take delivery of . . ."; the broker prepares his invoice, deducts discount for the unexpired portion of the *prompt*, and hands over the documents against the merchant's cheque.

Under the *Sale of Goods Act*, a buyer is not bound to accept delivery of goods by instalments, unless such form of delivery has been specifically agreed to. See also "*Good Delivery*."

DELIVERY ORDER. (*Fr.* Ordre de livraison ; *Ger.* Lieferschein.)

An order addressed to the person in charge of a dock-warehouse or wharf, instructing him to deliver stated goods to a stated person, van, or craft. In the ordinary way goods lying in dock or wharf are represented by *warrants* (see "*Dock Warrant*"). If, however, warrants have not been issued, or have been returned to the dock or wharf to effect a previous part delivery of goods named therein, the holder of the goods has a right to make out a *Delivery Order* for the goods at his disposal. It is a very simple document, reading :

.....19..

To the Superintendent at

Please deliver to
the undermentioned goods ex

.....(Signature)

and the necessary particulars are simply filled in in ink as occasion arises. The essential difference between a Dock Warrant and a Delivery Order is that the former is issued by the dock authorities and contains official guarantee of marks, weights, numbers, etc., whilst the Delivery Order is issued by the private trader and enjoys no greater respect than his good name confers upon it.

DEMAND. (*Fr.* Demande ; *Ger.* Nachfrage.) A *Demand* for a commodity or service is the desire that exists for it among prospective buyers. The term is, however, meaningless, unless used with reference to a certain *price*, expressed or implied. Thus, the mere statement "Oats were in good demand" conveys practically no information unless made in reference to a certain price. *Desire* to possess does not in itself constitute "demand," but only that portion of the general desire which is coincident with *ability to purchase*. Thus the demand for motor cars is something very different from the desire for them !

Demand and Supply. Ability to purchase, in its turn, obviously depends on price, and it becomes impossible to discuss *Demand* without introducing the corresponding term "*Supply*."

The dictum of the business man that "Price depends on demand and supply" is a rough generalisation which, with certain qualifications, is approved by the economist. It must be carefully borne in mind, however, that as demand is ability and willingness to purchase, so supply is ability and willingness to sell, and is not to be confused with the total of available stocks, or the utmost capacity of producing plants. Other things being equal, the demand grows as price falls ; whilst the supply increases as the price rises, or, in more scientific language, the quantity demanded tends to increase as the price falls ; whilst the quantity offered tends to increase as the price rises. The

DEMONETISATION. (*Fr.* Action de démonétiser ; *Ger.* ausser Kurs Setzen.) By *Demonetisation* is meant the removal of certain coins from the rank of legal tender to that of mere token money. Silver was demonetised in this country in 1816, when a gold standard was adopted, and later in the nineteenth century Germany, Holland and the United States took similar action. The general demonetisation of silver is held to be one of the causes for the decline in the price of that metal from over 5s. to as low as 2s. per ounce, before the effects of the European war sent the price to its old level. See also "*Remonetisation.*"

DEMURRAGE. (*Fr.* Surestarie ; *Ger.* Liegegeld.) The idea which lies at the base of all cases of *Demurrage* is that of delay, stopping or staying, but the term has several meanings as applied to commercial affairs.

Railways understand by demurrage the retention of trucks or other rolling-stock beyond a certain time allowed for the removal of the contents ; a charge of so much per day is made for demurrage.

Shipping circles use the term in relation to the stay of a vessel in port beyond a certain period through delay in loading or unloading cargo. Charter parties always contain stipulations with regard to penalties to be paid to the shipowners for demurrage.

At the *Bank of England*, Demurrage is the name given to the charge of 1½d. per ounce made by the Bank for the exchange of bullion into coin. The metallic value of standard gold is £3 17s. 10½d. per ounce, but at the Bank of England only £3 17s. 9d. is given for every ounce of standard gold. Nevertheless, practically all gold goes to the Bank, because if it were taken direct to the Mint—where coinage is absolutely free in the case of gold—there would be a delay pending its conversion into coin, and a consequent loss of interest.

DENOMINATION. (*Fr.* Coupures ; *Ger.* Abschnitte.) When applied to Bonds the word Denomination means the *face value* of a Bond certificate ; hence the common phrase : "The Bonds will be issued in *denominations* of £20, £50, £100, and £500."

When applied to Share certificates the word means the *number of shares* per certificate. Thus, 10-share certificates, 20-share certificates, etc.

One speaks also of the denomination of *coins* in a similar sense.

DEPOSIT ACCOUNT. See "*Current Account.*"

DEPOSITS. (*Fr.* Dépôt ; *Ger.* Hinterlegung.) A deposit in the widest acceptance of that term is anything placed in the custody of an individual or firm for safe custody, or as security, or for the purpose of obtaining interest or some other return. The following are some of the special meanings attached to the word :

(a) Deposits of money are sometimes received by firms or companies with a view to employing it in their business. Interest is paid on such

deposits, the rate varying with the period for which the money is deposited.

(b) Bonds, share certificates and other documents are often deposited for safe custody with a banker or merchant, and sometimes a "deposit receipt" is issued thereagainst. When deposits of this kind are made, the depositor usually pays a commission, or some other form of remuneration, for the trouble and expense of their custody. "*Safe-Deposit*" is the name given to institutions which specialise in the safe custody of securities and valuables, but many people expect their bankers to act as their *Safe-Deposit*, and competition compels the banker to be obliging in this matter.

(c) A very common case of deposit of documents occurs when documents are handed to a lender or creditor as security for money due. See "*Floaters*."

(d) The *Deposits* which technically bear this name among bankers represent a huge total of wealth, and deserve special attention as their exact nature is sometimes misunderstood. If in the balance sheet of a bank a sum of, say, £50,000,000 appears as "*Deposits*," the inference made by the uninitiated is that so much actual money has been deposited in the bank by its customers, and that the bank has this amount of money to lend. It may be, however, that when deposits stand at the figure named, the actual available cash is only one-tenth of that sum, and yet may be amply sufficient to meet every probable demand. The reason is this: "*Deposits make loans and loans make deposits*." Mr. W. R. Lawson puts the matter very vividly in the following sentences: "The theory that bank deposits represent nothing but solid money, the savings of the people and their working capital, is pretty but fictitious. A very large percentage of them consists of borrowed money. A mercantile house that wishes to get its bills discounted on favourable terms finds it expedient to keep a good daily balance at the credit of its current account. A Stock Exchange firm requiring large advances on securities is expected to maintain a proportionate credit to draw against. A manufacturer or a shipowner who owes perhaps the best part of his capital to his banker has to conciliate him in the same way. Speaking generally, the largest borrowers from banks are at the same time the largest depositors. . . . Many current balances which in bank returns figure as deposits did not even originate in cash. They were derived from loans in the first instance, and are continually fed by loans."

(e) There is an important distinction to be made between what a customer places with his bankers as a *Deposit* (whether on "*Current*" or "*Deposit*" Account), and money, valuables, or securities which are handed over to a banker (or, as is sometimes said, *deposited*) merely for *safe custody*. The person who places money to the credit of his account becomes a creditor of the bank for such money; if the bank stops payment and goes into liquidation, the customer can recover

only a *pro rata* distribution of the assets, like an ordinary creditor in any ordinary case of bankruptcy. But if he has placed bonds, bills, bullion, etc., with his bank for *safe custody only*, or by way of pledge, such bonds, etc., form no part of the bank's assets, and are returnable intact to the customer in the event of the bank's failure.

DEPOSIT WARRANT. (*Fr.* Certificat de Dépôt; *Ger.* Lagerchein.) An acknowledgment, receipt, or certificate showing that certain commodities have been deposited in a certain place for safe keeping, or as security for a loan, or for some other defined purpose. They are of two kinds:

(1) *Special Deposit Warrant*, such as Dock Warrants, Deposit Receipts, Bills of Lading, Pawn Tickets, etc., which entitle the holder to claim certain *specific* goods, and not merely others of equal value, in exchange for them. Documents of this kind, unless fraudulently issued, are among the best of securities, as they are always based on articles of value, and cannot be issued in excess of the goods actually deposited.

(2) *General Deposit Warrant*. A warrant of this kind does not require that certain specific goods shall be delivered up in exchange for it. Still less when the deposit consists of money is it expected that any specific coins shall be delivered. Hence, contracts, promissory notes, bills, etc., may be paid by any coins which constitute a legal tender; and warrants for the delivery of coal, corn, or pig iron are legally met by the delivery of these commodities of the required quality and value, and may be the same as those actually deposited or not. If, however, there be any clause in a contract or warrant which states that certain articles named therein shall be delivered and none other, the warrant becomes *Special*, and is no longer *General*, even though the deposit consists of coins, as may very well happen in the case of a collection of coins. From this it will be seen that the distinction between a *General* and a *Special Warrant* is very important. The grain elevators of Canada afford a good illustration of the manner in which the issue of *General*, as opposed to *Special*, warrants is facilitated by what is known as "*grading*." See "*Elevator*."

DEPRECIATION. (*Fr.* Dépréciation; *Ger.* Entwertung.)

(1) A term used in accountancy to indicate the allowance written off the value of assets to provide against their ultimate extinction by wear and tear in the case of premises, plants, etc., or the amount written off in respect of a fall in value of securities.

(2) A term used in regard to *currency*, and not to be confounded with *debasement* (*which see*). Debasement is the wilful act of a dishonest Government or of dishonest persons, whilst *depreciation*, whether of coin, bullion, or commodities, is a loss in value due to general underlying causes beyond human control. As the price, or value, of a thing is the ratio in which that thing exchanges for some other thing, it is obvious that

if any one commodity becomes unusually abundant in the market, the ratio in which it exchanges with all other commodities is altered, and the same holds good if the supply be abnormally scant. When, in the course of these fluctuations, the quantity of any commodity given in exchange is greater than usual, the value of that commodity is said to be depreciated.

Depreciation is mostly understood to have reference to the diminished value of coins, bullion, or paper currency.

Paper Money is liable to still greater fluctuations in value, owing to the facility with which it can be manufactured, and made by law a legal tender. The different forms of Bank-notes and State Notes illustrate very clearly the nature of depreciation, varying as they do from perfect security to utter worthlessness.

(a) Bank-notes would be considered *perfectly safe* from depreciation if issued only against an equivalent amount of bullion held in reserve by the issuer. No bank-notes are quite of this kind. See "*Bank of Issue.*"

(b) Bank-notes are considered *practically safe* when issued partly against bullion held by the issuer and partly against Government or other undoubted security. Bank of England Notes are chiefly of this kind, and they pass from hand to hand as readily as hard cash; in other words, they are not in the least depreciated. See "*Bank of England.*"

(c) Bank-notes, or State Notes, are apt to become *depreciated* in value when issued against a small reserve of bullion, but resting on the credit of the country issuing them and the good faith of the Government.

(d) State Notes issued to, or rather forced upon, the public without right of immediate *conversion*, are only saved from depreciation by the dearth of currency usually associated with the troubled times in which such issues are made. See "*Currency Notes.*"

DIFFERENCES. (*Fr.* Différences; *Ger.* Liquidations-Salden.) A Stock Exchange term for the payments made on Settlement Day (see "*Stock Exchange*") in respect of the difference between purchase or sale price and *making-up price* of stock which is *carried*.

DIMINISHING RETURNS. (*Fr.* Diminution de produit; *Ger.* Minder-Ertrag.) A term used in Economics—particularly in relation to the cultivation of land. The product of a certain amount of labour expended, and capital employed, in cultivation is technically called the *return* for such labour and capital. If land is under-cultivated (*e.g.*, in the case of the prairie lands of Western Canada) additional labour and capital (the latter in the form of manure, etc.), will give *more* than a proportionate additional *return*. But as cultivation becomes more *intensive*, further *increments*, or *doses*, of labour and capital yield, after a time, *less* than a proportionate return (as is probably

the case with the majority of small peasant holdings in France, Germany, and the Netherlands). Such a condition is referred to as *diminishing returns*, or, as it is sometimes expressed, the *law of diminishing returns* is in operation.

It is hardly necessary to observe that the foregoing remarks have reference only to a given general level of value for agricultural products, a given general level of wages and prices, and an assumed absence of any revolutionary advance in the science of agriculture.

In Economics the elucidation of *diminishing returns* is always associated with the theory of "*Rent*" (*which see*).

DIRECTOR. (*Fr.* Administrateur; *Ger.* Vorstand, Aufsichtsrat.) A term almost exclusively confined to those who engage in the management of limited companies, although on the Continent it has much wider applications. By the Companies Acts the management of a limited company is understood to be vested in a *Board of Directors*, and many obligations have been imposed by the Legislature on Directors, as such. The law regards a Director as a highly responsible *agent* for the company; his acts as Director must be for the benefit of his company. In other words, Directors are "fiduciary donees of their powers" and "are bound to exercise them so as not to give themselves an advantage over other shareholders." One company may act as *Director* of another.

Directors' Fees. The name given to a Director's remuneration. Sometimes it is a fixed annual payment; sometimes a fixed sum is set aside for *all* the Directors, and is divided among them in proportion to the attendances they make at Board Meetings during the year.

Managing Director. Clause 72 of "Table A," provides that the Directors of a Company may appoint one or more of their body to the office of managing director or manager for such term, and at such remuneration (salary, commission or participation in profits) as they may think fit. A director so appointed shall not, while holding such office, be subject to retirement by rotation, or taken into account in determining the rotation of retirement of directors; but his appointment shall be subject to determination *ipso facto* if he ceases to be a director, or if the company in general meeting shall resolve that his tenure of office be determined.

DISCOUNT. (*Fr.* Escompte; *Ger.* Diskont.) In general a *deduction* made from a sum payable (usually expressed as a percentage of such sum.)

Trade Discount. An agreed percentage to be deducted from a quoted price. Large manufacturing firms and wholesale houses find it convenient to prepare price lists and catalogues in which their goods are shown at *outside prices*, and then, instead of having to make constant reprints of their lists with each variation in the current price, they

merely send out circulars quoting special *discounts off list prices*. Incidentally this arrangement enables them to squeeze the outside price itself out of anyone not versed in the usage of the trade, and also permits of preferential discounts being quoted to favoured customers. $33\frac{1}{3}\%$ is quite a normal trade discount, so that so-called *catalogue prices* are virtually fictitious. Specially good customers may get another 10% off, and even after that the usual $2\frac{1}{2}\%$ discount for cash.

Bill Discounting. To discount a bill (see "*Bill of Exchange*") is, in effect, to sell it for its *present value* as distinct from the amount it will fetch at maturity. The present value is arrived at by deducting from the amount of the bill interest for the unexpired period at a rate which is known as the *discount rate*. Theoretically, therefore, the discount rate ought to be somewhat lower than the current rate of interest, as *interest* is paid at the expiration of the time for which money is advanced, whereas *discount* is deducted at the beginning of the term. Thus, if £100 be lent out for one year at 5% interest, the lender will receive at the end of the year £105. But if the borrower accept a bill for £100, and the lender discounts it at 5%, the lender gives £95 only, and acquires the two-fold advantage (i.) that he will get £5 for the use of £95, instead of £100 as in the former case, and (ii.) that he gets the £5 at the beginning instead of at the end of the year, which at 5% means another 5s. profit.

In the case of foreign bills the discount rate is not expressly stated, but is calculated in the rate of exchange. To take a simple case: A London merchant has drawn a three-months bill on a Copenhagen customer. If he were to hold this bill in his portfolio until the three months had all but expired he would then be able to sell it to a bill broker or discount house at the *sight rate*, say 18·25; in other words, at the end of three months he would get £1 for every Kr. 18·25 of the amount of his bill. However, as explained under "*Bill of Exchange*," the merchant has no intention of holding his bill back for three months. He sells it at once, and is paid at the *three months rate*, say 18·50; in other words, he gets £1 for every Kr. 18·50 of the amount of his bill. A little calculation will show what this means. A three months bill for an amount of Kr. 18,500 will fetch £1,000 *now*. If held for three months it would fetch (assuming no change in the exchange meanwhile),

$$\frac{£18,500}{18\cdot25}, \text{ i.e., } £1,013\cdot698.$$

An increment of £13·698 on £1,000 for a period of three months represents a percentage *per annum* of roughly $5\frac{1}{2}\%$. So that, in effect, the merchant has discounted his bill at $5\frac{1}{2}\%$, although that rate is nowhere specifically mentioned.

Discount Rate. The foregoing calculation indicates that the discount rate in *Copenhagen* is about $5\frac{1}{2}\%$, for it is important to observe that in reckoning discount on foreign bills, the rate to be taken is that

of the place on which the bills are drawn, and not the place where they are negotiated. It is this fact which explains the connection between discount rates and foreign exchanges (*which see*). A high discount rate in one country (coincident with "*dear money*") offers a direct inducement to bankers and bill brokers in other countries to take advantage of such high rate by purchasing bills on that country. Competition for such bills tends to turn the exchange rate in favour of the country in question; in other words, to stimulate exports and thereby attract gold; at the same time, imports to that country will be checked, for, to revert to the above illustration of the bill on Copenhagen, the fact that the London merchant has, in effect, to discount his bill at the high rate of $5\frac{1}{2}\%$, and—as explained under "*Bill of Exchange*"—allows for such high rate when arriving at the amount he draws, will naturally tend to make the Copenhagen firm postpone purchases abroad until the rate goes down. See also "*Bank Rate*," "*Drain of Bullion*," and "*Foreign Exchanges*."

Discount House. A firm which specialises in discounting bills. Like *bill brokers* (*which see*) they must have an extensive knowledge of the financial standing of firms, both here and abroad. It must not, however, be supposed that the so-called discount houses have a monopoly of bill discounting. Banks and bill brokers also discount bills for very large totals.

To Discount. Apart from its normal meaning in regard to bills of exchange, *to discount* is a term used of prices. Thus, such a phrase as "The possibility of crop damage is already *discounted* in the price of *grangers*" means that the ruling quotations for the stocks of the grain-carrying railroads of the States are already lower than they would otherwise be, in *anticipation* of crop damage. The implication is that, even if later the crop proves to be actually damaged, the price of the shares in question will not fall further.

New Issue at Discount. Shares or bonds issued at a price below their face value are sometimes said to be *issued at a discount*. Again, if, after an issue has been made, its market price falls below the price of issue, the shares or bonds are said to be *selling at a discount*. See also "*Par*."

DISHONOUR. (*Fr.* Ne pas accepter ou payer à l'échéance; *Ger.* nicht honorieren.) If, when a bill is presented for acceptance, the person on whom it is drawn refuses to accept it, or if when presented for payment the acceptor refuses to pay it, or if a promissory note is not paid when it falls due, such default is termed "*dishonour*," and the holder of the bill or note is bound to give notice to the parties who drew the bill or note, or to those who have negotiated it. This notice is called a *Notice of Dishonour*, and if the holder fails to give notice of the same the parties who would otherwise have been responsible are discharged from their liability. Notice may be given by word

of mouth, or in writing, but as a matter of practice it is usual, and generally desirable, that the notice should be delivered in writing, no matter how short, so that the meaning is clear. A mere ticket pinned on to the bill is often used, and the few formal words on the face of the ticket constitute a sufficient notice. The following is an example :

I beg to inform you that the undernoted Bill has been duly presented for payment to — : and as it has been dishonoured, that I shall look to you for payment.

Date

Yours, etc.,

Amount

R. S.—

Drawer.....

Endorser.....

Noting a Bill. To note a bill is to record the non-acceptance or non-payment of a bill when it becomes due. It is done officially by a notary, and the following is the form given by Mr. Justice Byles as a sufficient notice of dishonour from the holder to an endorser :

No. 1, Fleet St., London.

26th Sept., 19—.

SIR,

I hereby give you notice that the Bill of Exchange dated the 22nd ult., drawn by A. B., of —, on C. D., of — for £100, payable one month after date to A. B. or his order, and endorsed by you, has been duly presented for payment, but was dishonoured and is unpaid. I request you to pay me the amount thereof.

I am, Sir,

Your obedient servant,

G. H.

To Mr. E. F., of —, merchant.

This form may be, and obviously must be, modified to suit varied circumstances.

Protest. In England, the process of noting is accepted as sufficient to establish the dishonour of Inland Bills, but Foreign Bills must be *protested* in a more formal way.

Form of protest on Non-Acceptance :

On the day of , one thousand nine hundred and , I, R. B., Public Notary by lawful authority and dwelling in L —, in the county of London, and United Kingdom of Great Britain and Ireland, at the request of C. D., of L— (or of the holder or bearer as the case may be), did exhibit the original Bill of Exchange,

whereof a true copy is on the other side written, unto a clerk in the counting-house of E. F., the person upon whom the same is drawn, and demanded acceptance thereof, and he answered that it would not be accepted at present.

Wherof, I, the said Notary, at the request aforesaid, did and do by these presents protest against the drawer of the said Bill, and all other parties thereto, and all others concerned, for all costs, exchange, re-exchange, and all costs, damages, and interest present and to come, for want of acceptance of the said Bill.

Thus protested in the presence of B. B. and F. F.,

Witnesses.

A. B., Notary Public,
Which I attest.

R. B.,
Notary Public, L——.

It is not necessary to quote the exact words given in answer to a demand for acceptance—the correct tenor and purport are sufficient. These forms are varied to suit particular cases.

DISTRIBUTION. (*Fr.* Répartition; *Ger.* Verteilung.) In commerce the word “*distribution*” is employed without any special, technical significance. It is used only of the distribution of *commodities*, sometimes in a purely physical sense, as, for instance, that hides are removed from dock by rail, van, or barge to various centres; sometimes in the sense of a parcelling up of goods by means of sale and sub-sale, as from manufacturer to wholesaler, job-dealer, retailer, hawker, etc.

In Economics, the term has a technical meaning, conferred upon it by several generations of thinkers. It refers then to the distribution between *all* members of the community not only of commodities, but services and wealth in general; in other words, to the *share* which each individual or class enjoys in the general prosperity of the nation. Here the economist comes perilously near the political arena, but so long as he confines his analysis to what *is*, and does not preach what *ought to be*, he should enjoy all the privileges of a non-combatant.

In the first place, a warning must be given against confusing, as is often done, distribution of *wealth* and distribution of *income*, or “national dividend,” as it used to be called. The influence of the distribution of wealth on the distribution of income is not so overwhelming as might be supposed. That is to say, the persons who pay tax on unearned income are very literally a fortunate *few*, and the great majority of the population are entirely dependent on their current *earnings*, or rather the current earnings of the adult male portion of the population.

As society is at present constituted the distribution of income takes

place on a commercial and competitive basis, and largely turns upon, first, the remuneration the individual, or family unit, can command for services rendered, and, secondly, the command of commodities conveyed by such remuneration. The possible alternatives are, broadly, two—the control of society by an omniscient despot, or by the People, with a big “P.” Despots are at present somewhat under a cloud, and the second alternative is far and away the more popular: its various exponents come under the general description of “*socialists*.” The socialist would eliminate *rent*, *interest* and *profits*, as claimants to a share of the “national dividend,” by the simple expedient of nationalising *land* and *capital*. Then, apart from renewals of capital and re-fertilisation of land, the whole national dividend would be available as *wages*, or remuneration for services rendered; the crux of the problem lies in the fact that *wages* is a correlative of *work*, and that the partition of work might not be so popular as the partition of wages!

The socialist has the advantage that lies with the attacking party; he is free to expose defects in the present organisation of society, whilst his own utopia is suffused with the roseate hues of a very early, and *distant*, dawn, and nobody has troubled to hold a *post-mortem* on the *short-lived* communistic colonies, whose speedy disappearance may, of course, be explained on the ground that “whom the gods love die young”!

The socialist contention that the present, so-called “rats-and-wolves” system is responsible for glaring inequalities of wealth is irrelevant in so far as what really matters is the welfare of the *bulk* of the population. The question is, would the bulk of the population receive, per family unit, a bigger income of commodities and services under a *régime* of Socialism? Space does not permit of an elaboration of the many factors to be considered, but one illustration may be given to indicate the sort of difficulties that arise. When electric lighting first became an established fact, it was naturally thought that the palmy days of the gas companies were over, and one of the most extraordinary and interesting phenomena of the early part of the twentieth century has been the spirited answer of the gas interests to their new competitors. Gas lighting has been revolutionised as a direct result of the competition of electricity, and the partial restoration of gas street-lighting in the City of London is symbolical of the vitality of an industry which once seemed threatened with extinction. Now, assume that electric lighting had been introduced under a socialist *régime* (which is in itself a bold assumption, seeing that it presupposes a socialist executive far-sighted enough to devote part of the national dividend to the sustenance of *unproductive* experimenters). The question would have come before the central governing body: “Are we to go in for electricity or stick to gas?” If the decision had been in favour of electricity, the gas industry would have succumbed; whilst if the majority had plumped for gas, the electrical menace would

have disappeared, and, without the incentive of competition, we should still be lighting our streets and buildings with bare, yellow gas flames.

In conclusion, a word of warning against deducing arguments from *totals* in questions of distribution. If, for instance, it were possible to prove statistically that *rent* as a grand total had risen in ten years from, say, £50,000,000 per annum to £60,000,000, it would be impossible to deduce that landlords were receiving a bigger *proportionate* share of the "national dividend" than formerly, and incomplete as are our present statistics of national wealth and income it is extremely unsafe to dogmatise on matters of *distribution*.

DIVIDEND. (*Fr.* Dividende; *Ger.* Dividende.)

(a) Strictly speaking, a *Dividend* is a distribution to *shareholders* out of *profits*, but the term is loosely applied quite frequently to *interest* paid on debentures.

When there are profits for distribution, the preference shares, if any, have a prior claim in respect of their fixed percentage; then come the ordinary shares, and then the *deferred* shares, if any. See also "*Cumulative Preference Shares*" and "*Shares*."

As a rule, dividends are paid at stated intervals, quarterly, half-yearly, or annually, according to the Articles of Association or the practice of each individual company. Where, however, the books of the company are made up only once a year, a dividend distributed before the end of the fiscal year is sometimes referred to as an *interim dividend*, in which case the distribution made when the year is at an end is called the *final dividend*.

In the case of registered shares, dividends are remitted direct to the registered holders, unless express instructions (called in the States, "*Dividend Mailing Orders*") have been given by the shareholder for payment of dividends to a bank or other third party. In the case of bearer shares, the dividend is obtained by presentation of coupons. See also "*Bearer Shares*."

The following specimen announcement contains in a concise form much information relative to payment of dividends, and formalities attendant thereon.

MODDERFONTEIN B GOLD MINES Limited.
(Incorporated in The Transvaal).

DECLARATION OF DIVIDEND No. .

Notice is hereby given that an INTERIM DIVIDEND of — per cent. — shillings per Share) has been DECLARED by the Board for the half-year ending 30th of June, —.

This Dividend will be payable to all shareholders registered in the books of the Company at the close of business on 30th of June, —, and to Holders of Coupon No. — attached to Share Warrants to Bearer.

The Transfer Books will be Closed from the 1st to the 7th of July, —, both days inclusive.

The Dividend will be payable to South African registered shareholders from the Head Office, Johannesburg, and to European shareholders from the London Office, 1, London Wall Buildings, London Wall, E.C., on or about the 5th of August, —.

Holders of Share Warrants to Bearer are informed that they will receive payment of the Dividend on presentation of Coupon No. — at the London Office of the Company, or at the Crédit Mobilier Français, 30 and 32, Rue Taitbout, Paris.

Coupons must be left four clear days for examination, and will be payable at any time on or after the 5th of August, —.

Coupons and Dividend Warrants paid by the London Office to shareholders resident in the United Kingdom will be subject to a deduction of English Income-tax.

Coupons and Dividend Warrants paid by the London Office to shareholders resident in France and Coupons paid by the Crédit Mobilier Français, Paris, will be subject to a deduction on account of French Transfer Duty and French Income-tax.

By Order of the Board,

A. MOIR, London Secretary.

London Office, No. 1, London Wall Buildings, E.C., 9th June, —.

To *pass* a dividend means to fail to pay it. See "*Passing*." See also "*Cum*" and "*Ex*," "*Coupon*," etc.

(b) The name *dividend* is also applied to a percentage payment made from the estate of a bankrupt.

Dividend-Payers. A name given by stockbrokers to shares on which dividends are being paid, as distinct from the *non-dividend-payers*, which have, as it is expressed, not yet reached the *dividend-paying stage*.

Dividend Warrant. The name given to the special form of cheque issued by companies in payment of dividends.

DIVISION OF LABOUR. (*Fr.* Partage de travail ; *Ger.* Arbeitsteilung.) One of the oldest and least controversial doctrines of Economics is that relating to the benefits derived from *division of labour*, that is to say, the apportionment amongst different members of the community of certain occupations and activities, whereby the total product, or "*national dividend*," is infinitely greater than it would be if each individual had to satisfy as best he could his own wants by his own efforts. It has often been pointed out that the idea involved might better be conveyed by talking of "*co-operation of labour*," but the first-mentioned expression seems now to have become an integral part of the language of Economics. Another term that might express

the same idea would be "*specialisation of labour*," which latter phrase also suggests some of the inherent drawbacks of making a man only a minute cog in a huge machine. Every economic text-book deals fully with this question.

DOCK. (*Fr.* and *Ger.* Dock.) See "*Port of London*."

DOCK WARRANT. (*Fr.* Warrants de dock; *Ger.* Lagerschein.) A formal acknowledgment by the owners of a dock warehouse that certain specified goods have been received into safe custody and are held to the order of a stated person, firm, or corporation. It details the complete record of the goods as far as their importation is concerned, the so-called *rotation number*, particulars of the importing steamer, date of importation, date from which rent will become payable on the goods, party to whose order the goods are deliverable, full particulars of weights and marks of the packages, allowance for *tare*, and so on.

Dock Warrants are documents of title, passing by endorsement, and for the convenience of traders are prepared in what might be called "denominations" of reasonable proportions; that is to say, for instance, 30 bags of sugar is a usual quantity to put on one warrant, as being a convenient unit for market dealings. Large parcels will therefore be spread over several warrants, whilst small lots do not as a rule attain the dignity of a warrant, but are disposed of by *Delivery Order* (*which see*).

An endorsement of a Dock Warrant must state clearly if and up to what date the rent is to be charged to the endorser.

DOCUMENT BILL. (*Fr.* Billet documenté; *Ger.* Wechsel mit betreffenden Dokumenten.) A Document Bill is a Bill of Exchange drawn for the countervalue of goods shipped, and accompanied by the *shipping documents*. It comes into existence through the desire of a merchant to realise at once the proceeds of goods that he has sold at a distance or for long credit. A Mincing Lane merchant, for instance, has sold sugar to Malta for "Cash against documents." In *taking up* the documents for the goods from his broker, in order to put the shipment in hand, the exporter has to pay prompt cash; if he then had to wait for a remittance from Malta after arrival of the goods in that port he would be "*out of the money*" for a considerable time. Having, therefore, put the shipment in hand, the merchant makes out his invoice, attaches it to his draft for the amount due to him, and presents them to his bank, together with signed Bills of Lading and Insurance Policy (or "*Cover Note*" in the case of a "*Floating Policy*").

The merchant receives cash (or, to be perfectly precise, immediate credit on his account) for his Document Bill, less discount, of course. From the banker's point of view the advantage offered by such Document Bill is that—apart from, and in addition to, the usual remedies of a person receiving a Bill of Exchange for value—he has

extra security in the shape of documents which, presumably, the drawee will be specially interested to obtain by paying the draft.

A banker discounting a Document Bill must, in the first place, see that the Bill of Lading is so drawn that he could, if necessary, assert his right to dispose of the goods it represents. The usual procedure is for the shipper to make out the Bill of Lading to his own order and then endorse it in blank. It must be remembered that the shipping company gives no guarantee that the goods are as described in the Bill of Lading, and, further, that the risks expressly repudiated by the owners of the vessel must be covered by insurance.

The set of signed Bills must be complete, or a guarantee given if any be missing. The insurance rights must be vested in the banker by his receiving the policy and giving notice to the insurance company of his interest therein. Policies coming from abroad should be stamped within ten days of arrival.

If it should become necessary for the banker to assert his *lien* on the goods, he must communicate with the shipowner. The banker is under no compulsion to take delivery of the goods, but should he wish to do so he must pay the freight to secure the *release* of the Bill of Lading.

It is usual to allow the acceptor of a Document Bill to *retire* it before maturity, and to accord him a *rebate* for the unexpired period at $\frac{1}{2}\%$ above the rate for short deposits with the joint stock banks.

DOLLAR. A name given to certain currency units in various countries, but if used without qualification always understood to refer to the United States Dollar. The sign (\$) now so generally used to signify a dollar is commonly supposed to date from the time of the celebrated *Pillar Dollar* of Spain. This dollar was known as the *Piece of Eight* (meaning eight reals), and the curved portion of the sign is a rude representation of the figure 8. The two vertical strokes are thought to be emblematical of the Pillars of Hercules which were stamped on the coin itself. See Table of Foreign Moneys in *Appendix*.

DOMICILE. (*Fr.* Domicile; *Ger.* Domizil.) Flowing from its original meaning of residence, the word *domicile* has acquired a technical significance in relation to certain commercial matters. Thus, Bills of Exchange, Coupons, etc., are said to be domiciled in, or at, a certain place, when that place is appointed as the place of payment. Again, the country of domicile of a foreign merchant is important as determining the laws under which he can be sued.

DOUBLE STANDARD. (*Fr.* Bimétallisme; *Ger.* Doppelwährung.) In Economics the phrase *Double Standard* is employed to signify a "*Double Standard of Monetary Value*." It ordinarily refers to what

is known as the "Gold Standard" on the one hand, and the "Silver Standard" on the other. Wherever the double standard *in its integrity* is in use, a creditor is bound to accept payment of any sum in coins of either of the metals, gold or silver, which the debtor may choose to tender. If gold is scarce and dear, and silver is plentiful and cheap, the debtor will pay in silver, and silver becomes for the time virtually *the standard of value*; if, on the other hand, silver is scarce and gold plentiful, gold will become the medium of payment and the standard of value. This, by Gresham's Law (*which see*) is inevitable. Hence the term "*Double Standard*" is a misnomer; there is, in fact, an *Alternative Standard*, that metal being the standard which happens to be relatively the cheaper for the time being, the other being bought and sold like any other commodity, or used to make payments abroad, thus draining the country of that particular metal. The practical experiment in a double standard known as "*Bimetallism*" is discussed under that head.

DRAFT. (*Fr.* Mandat; *Ger.* Anweisung.) A written order for the payment of a sum of money, addressed to some person who holds money in trust, or who acts in the capacity of agent or servant of the drawer. Documents of this kind often pass between one department of a bank or mercantile house and another, and are to be distinguished from bills of exchange and cheques in not being drawn upon a debtor.

"It is essential to the character of a *bill*, that it should be addressed to a person who owes the money as a *debtor*. If the order be addressed to a person who merely *holds* the money as a *Depositum*, as a *Baillee*, or *Trustee*, or *Agent*, or *Servant* of the writer, it is not a *Bill* but a *Draft*." —*McLeod*.

For another meaning of "draft" see under "*Gross—Gross Weight*."

DRAIN OF BULLION. (*Fr.* Epuisement du numéraire; *Ger.* Goldabfluss.) By a *Drain of Bullion* is meant the flowing away of gold to such an extent as to endanger the adequacy of the internal circulation requisite for the country's trade. This is a matter of the utmost importance to a commercial people, and the right understanding of the cause or causes of a "*Drain*" is essential on the part of those whose business it is to remedy the evils arising from a deficiency of the precious metals.

The circumstances which lead to the transfer of bullion from one country to another are numerous; but there are three which exert a paramount influence, and which, perhaps, may be so stated as to include all others; they are:

1. *The relative indebtedness of the country to others with which it trades.* When imports greatly exceed exports, the importing country becomes indebted to other countries; the difference must be partly

paid in coin or bullion, and if this goes on for any length of time, the drain of bullion will be so great as to cause a serious deficiency of bullion in the country. This evil tends to cure itself in course of time (though, perhaps, not till after serious disturbances to trade have resulted), because the difficulty of selling the imported goods at the higher prices necessitated by unfavourable rates of exchange (see "*Discount*" and "*Foreign Exchanges*") would tend to induce merchants to cease buying. But this cause of a "Drain" is frequently confused with some other cause or causes, and the phenomenon is often so complicated that a merchant finds it hard to say to what the monetary disturbance is due.

2. *A depreciated paper currency.* In 1810, when a large number of inconvertible bank-notes were in circulation, they became so depreciated that £4 10s. 0d. had to be paid for an ounce of standard gold, whose metallic value was £3 17s. 10½d. Again, in 1813, the price of gold bullion, when paid for in notes, was £5 10s. 0d. per ounce. From 1823 to 1914 bank-notes were always convertible into gold on presentation at the Bank of England, and, therefore, never been depreciated. When, however, paper money is depreciated, it is accepted only in that country where it is issued; all payments abroad must be made in gold. Hence the inevitable "Drain."

3. *A lower rate of interest for money than prevails in neighbouring countries.* Whenever the rate of interest paid for the loan of money, or the rate at which bills are discounted in two different countries, differs considerably, it becomes profitable to send bullion to that country where the interest (or discount) is higher. The ordinary competition between the dealers then causes gold to flow from that country where the rate is low towards that where it is high. This process went on in London after the panic of 1866 to such an extent that the Bank Rate of discount was pushed up till it reached 10 per cent., and even then the drain was not checked. But, notice that the paper currency of the country was *not* depreciated; owing to the simultaneous withdrawal of notes with the drain of bullion, paper money was, if anything, appreciated, and the suspension of the Bank Charter Act (*which see*) enabled the Bank to issue a large supply of paper money, which supplemented the circulation and thereby caused an abatement in the demand for gold.

Passing reference may here be made to the long-exploded "*Mercantilist*" theory of the Middle Ages, which for some centuries caused all sorts of absurd restrictions to be placed on foreign trade under the delusion that only those branches of commerce were advantageous to the country which brought in actual metallic money in return. See "*Foreign Trade*."

The exigencies of the great European war (1914-1919) caused exceptional restrictions to be imposed on movements of capital to places abroad, and under the famous Defence of the Realm Acts regulations

were issued prohibiting remittances from the United Kingdom by way of loan or for subscription to foreign issues of capital or for the purchase of securities or property other than merchandise. Before sending a remittance out of the country a banker had to obtain a declaration in writing of its purpose. From 1917 to 1919 the import of securities from abroad was prohibited. See also "*Gold Reserve*."

DRAWBACK. (*Fr.* Drawback; *Ger.* Zureuckerstattung eines Zolles.) If duty has been paid on certain goods, which are afterwards exported again, or used as ships' stores, the Customs allows a refund of the duty, and such refund is known as a *drawback*. Drawback payments are not so common as might be supposed, since imported dutiable goods can be kept "*in bond*" (see "*Bond*") until they are actually disposed of for internal consumption, and therefore most re-exports of dutiable goods take place out of *bond*. See "*Customs*."

Under some Continental tariffs, drawbacks may under certain circumstances be larger than the duty originally paid, so that in reality they contain an element of "*bounty*."

DRAWEE and DRAWER. (*Fr.* Tiré, Tireur; *Ger.* Trassat, Aussteller.) See "*Bill of Exchange*."

DRAWN BONDS. (*Fr.* Obligations tirées; *Ger.* Gezogene Obligationen.) One method of redeeming a bond issue, and one largely adopted, is to institute a *Sinking Fund* (which see), and apply it for paying off each year a certain portion of the issue. The drawing of lots determines which actual certificates shall be redeemed, the number of such certificates are duly announced in the financial press, and the bonds are then known as "*drawn bonds*." A *drawing* is essentially a lottery, but, all things considered, it is generally felt to be the fairest and most satisfactory way of making a distribution of the moneys arising from the operation of a Sinking Fund. Needless to say, the price of repayment is fixed beforehand; that is to say, at the time the bonds are first issued.

With a view to secure perfect integrity in the conduct of *drawings*, they are usually made in the presence of most highly responsible parties, such as the contractors for the loan, the resident Minister of the borrowing Government, and a Notary Public.

The following is a typical announcement :

ARGENTINE GOVERNMENT FIVE PER CENT. TREASURY CONVERSION LOAN, 1887.

Notice is hereby given that, in accordance with the terms of this Loan, the undermentioned NUMBERS of BONDS, amounting to

£10,250, have been this day DRAWN by lot for payment on the 1st October next, when interest thereon will cease :—

102 BONDS of £100.

35	43	155	229	327	403	413	428
431	448	554	619	694	720	832	1001
1040	1098	1108	1196	1208	1243	1270	1289
1423	1493	1495	1600	1684	1756	1784	1794
1849	1873	1930	1951	2036	2043	2065	2079
2101	2128	2135	2267	2270	2275	2278	2289
2416	2695	2699	2727	2792	2831	2934	2936
3030	3040	3100	3365	3366	3465	3476	3520
3612	3621	3631	3767	3897	3950	3976	4038
4188	4199	4273	4303	4343	4426	4430	4448
4516	4788	4993	5027	5100	5247	5287	5293
5320	5333	5442	5553	5558	5570	5726	5747
5755	5759	6020	6031	6047	6129		

1 BOND of £50.

No. 6237

For Baring Brothers and Co., Limited,

S. M. WARD, Mg. Director.

8, Bishopsgate, E.C. 2, 2nd Sept., 1919.

CARLOS M. DOMINGUEZ, Argentine Legation.

Present.—H. A. Woodbridge (of the firm of H. de Pinna and John Venn, Notaries, 38, Gresham House, E.C.).

E

ECONOMICS. (*Fr.* Economie Politique; *Ger.* Volkswirtschaftslehre.) The science which analyses the business activities of individuals and communities. It is frequently dubbed the “*dismal science*,” and is unpopular (*a*) with moralists of the Ruskin type, on account of a supposed disregard of the ethical and the æsthetic; (*b*) with “labour” champions, on account of a supposed antagonism to the “working classes”—due to crude and misleading “*economic laws*” promulgated by early economists.

As a distinct branch of sociological study, Economics came into existence with the publication in 1776 of Adam Smith's *Wealth of Nations*, and under the name of “*Political Economy*” became firmly established during the first half of the nineteenth century as a recognised field of learning. Eminent European and American thinkers have

since devoted themselves to the subject; but the evolution of Economics as a precise and coherent science has all along been hampered by the "local colour" introduced by successive writers.

Thus, Malthus and his famous population doctrine would never have been heard of had it not been for the stress of the Napoleonic wars, the collapse of the Poor Law and the phenomena of the "*Industrial Revolution*"; whilst behind the academic discussion of "*Laissez Faire*" lay the burning questions of reforming the British fiscal system conformably to the needs of a growing export trade in textiles and machinery, the incidence of the "Corn Laws," and the abuses of the new-born *factory system*. Similarly, German economists have always been obsessed by the need for national defence and solidarity, and, incidentally, the search for a "scientific tariff" (blessed consummation!).

Scope. It must be emphasised that Economics concerns itself with the business, or material, aspect of *all* branches of human activity, not merely with commerce as such. Thus, one is perfectly entitled to discuss, say, the economics of Church administration, or of amateur sports clubs, with the same freedom that Emerson deals with commercial ethics, or a physician advocates poultry-farming.

Subject Matter. For a century the orthodox plan for writers on economic theory has been to deal with the "*Production*," "*Exchange*" and "*Distribution*" of "*Wealth*," with sometimes a fourth department, "*Consumption*," and almost always a digression on public finance, traceable to Adam Smith's famous *Canons of Taxation*.

Production. Under this head, the student is first introduced to the "three agents in production," to wit, *Land, Labour, and Capital*, and enlightened as to "Natural Agents," population, division of labour, fixed and circulating capital, and so forth.

Exchange. Subjects of vital interest are included in this department. For instance, the theory of demand and supply, markets, money, foreign trade, etc.

Distribution. The apportionment of "Wealth" among the various units of a community, a question involving the examination of socialist and other doctrines, the purpose and incidence of taxation, the relation of *rent* and *profits* to *wages*, etc.

See also "*Distribution*," "*Exchange*," "*Demand*," "*Production*," "*Consumption*," etc.

ECONOMIC LAWS. (*Fr.* Lois d'Economie Politique; *Ger.* Volkswirtschaftsgrundsätze.) General principles or statements of tendency relating to branches of economic study. Much of the unpopularity of Economics is traceable to the irritation engendered by a misuse of this term by controversialists anxious to give a semblance of authority to their arguments. An *economic law* is merely a general statement that, under certain conditions, certain principles operate;

but it can readily be understood that when the guarded generalisations of economists are "*popularised*" they are apt to lose in accuracy what they gain in terseness. Thus, for decades Political Economy was anathematised for the so-called "*Iron Law of Wages*," which, as crudely enunciated, predicated a fixed "*wages fund*," of which one class of "*labour*" could only get a bigger share at the expense of another class. See "*Wages*."

ECONOMIC RENT. (*Fr.* Loyer selon l'Economie Politique; *Ger.* Miete oder Pacht im Sinne der Volkswirtschaftslehre.) Rent conforming to economic principles (see "*Rent*"). The exact significance of the term varies with its context. Thus *economic* rent may be contrasted with actual, *commercial* rent, if emphasis is being laid on the effects of inertia, custom, etc.; whilst in discussions relative to the provision of housing accommodation, the term *economic* rent is practically synonymous with *commercial* rent, as opposed to a rental arbitrarily fixed by some public body.

It will be seen, therefore, that in current use the term "*economic rent*" sometimes has a meaning different from "*rent*" as employed in the pure theory of Economics. See "*Rent*."

ELEVATOR. (*Fr.* Magasin de blés; *Ger.* Getreidelager.) From its general American significance of "*lift*," the word "*Elevator*" has become the special name for the huge grain warehouses erected at the western end of the Great Lakes to receive the harvest of Western Canada. The elevators of Fort William and Port Arthur have a total capacity of about 50 million bushels, besides which many steamers are used as grain warehouses whilst the Great Lakes are closed for navigation. Grain from these elevators is sold on the London market *on certificate* (i.e., by description of *grade*) instead of by sample, but it must be added that some of the British millers advocate a return to the practice of dealing *on sample*.

EMBEZZLE. (*Fr.* Détourner; *Ger.* Unterschlagen.) *Embezzlement* is a crime distinguished from *larceny*, properly so called, as being committed in respect of property which is not, at the time, in the actual or legal possession of the owner. As to this, it is enacted that if any clerk or servant, or any person employed for the purpose or in the capacity of a clerk or servant, shall, by virtue of such employment, receive or take into his possession any chattel, money, or valuable security for or in the name or on the account of his master, and shall fraudulently embezzle the same, or any part thereof, every such offender shall be deemed to have *feloniously stolen* the same; and that if any money, or security for the payment of money, shall be entrusted to any *banker, merchant, broker, attorney, or other agent*, with any direction in writing to apply such money, or any part thereof, or the proceeds, or any part of the proceeds, of such security, for any purpose specified

in such direction—and he shall in violation of good faith, and contrary to the purpose so specified, in any wise convert to his own use or benefit such money, security or proceeds, or any part thereof—every such offender shall be guilty of a *misdemeanor*; and may be sentenced to penal servitude for a term not exceeding fourteen years, or less than three years, or to such other punishment by fine or imprisonment, or both, as the Court shall award. Again, if any chattel or valuable security, or any power of attorney for the sale or transfer of any share or interest in any public stock or fund of this country or any foreign state, or in any fund of any body corporate, company, or society, shall be entrusted to any *banker, merchant, broker, attorney, or other agent*, for safe custody, or for any special purpose, without any authority to sell, negotiate, transfer, pledge, or in any manner convert to his own use or benefit, such chattel or security, or the proceeds of the same, or any part thereof, or the share or interest in the stock or fund to which such power of attorney shall relate, or any part thereof—every such offender shall incur the *same penalties* as in the previous case.

ENDORSEMENT. (*Fr. Endôs; Ger. Giro.*) To *endorse* a bill or other document is to write one's name on the *back* of it. Hence the process is sometimes known as *backing* a bill, etc. The person endorsing is called the *Endorser* and the person in whose favour the endorsement is made the *Endorsee*.

Special Endorsement. When an endorsee is mentioned, the endorsement is called "*Special*." Thus:

*Pay to the order of the National Provincial and Union
Bank of England.*

(*Sgd.*) *Clarke, Gibson & Smith.*

Sometimes the endorsement is rendered still more special by stating the date of payment or delivery, or the name of the bank or firm which will make the payment or delivery.

General Endorsement. An endorsement is called "*General*" when the holder of the document simply signs his name, thus:

Perkin Warbeck & Co.

This is also called "*endorsement in blank*."

In the case of a "*general*" or "*blank*" endorsement, the document becomes transferable by simple delivery to any person, without further endorsement.

It is to be observed, however, that neither of the above endorsements takes effect, or would be valid in law, unless followed by "*delivery*." The delivery may be effected by giving it into the hands of the endorsee, when it is called "*Actual Delivery*," or the endorsee may

be notified that the endorser has endorsed the document whilst retaining it in his possession ; this is called "*Constructive Delivery*."

Endorsement of Bills and Cheques. By the endorsement of a Bill of Exchange, the endorser incurs the responsibility of a new drawer, and hence, if the drawee does not pay the bill when it matures, the endorser on receiving notice of dishonour (see "*Dishonour*") must pay the sum due to the holder, that is to say, not only the nominal amount of the bill, but also notarial and other expenses incurred by the dishonour.

Any endorsee may himself become an endorser, and, in fact, bills of exchange often bear a series of endorsements. Other things being equal, this adds to the value of the bill, since *any* endorser is liable on the bill, and the presence of several endorsements therefore provides additional guarantee.

A banker is entitled to ignore endorsements on a bearer cheque, but must duly observe the terms of any endorsement on a cheque to order, even if expressed in a foreign language. An endorser of a cheque guarantees the genuineness of it, and also its due payment ; a transferor by simple delivery without endorsement only guarantees its genuineness, but as a banker usually acts simply as collector, he can charge his customers with any cheques returned unpaid, whether endorsed or not, so long as he has not been guilty of negligence. (*Moxon*.)

Other Documents, such as Bills of Lading, Dock Warrants and Delivery Orders, also pass by endorsement. Bills of Lading, if drawn *to order* or assigns, are by the custom of merchants negotiable by delivery and endorsement for value, provided the goods represented by the bills have been shipped and the voyage has not yet been completed. Bills of Lading, though drawn to order, are not *negotiable* in the full sense of that term, as, for instance, are Bills of Exchange ; for the transferee, though bona-fide, and though he has given value for the bill, cannot get a *good title* from a transferor whose title is defective.

Notice, however, that Bills of Lading, Dock Warrants, etc., are not *always* endorsed by way of sale or pledge ; the endorsement is often merely an instruction to the bailees of the goods represented therein, thus :

"*Deliver to Grey's craft. G. Turner & Sons*" ;
 "*Deliver to Fairclough's van. F. Black*" ;
 or "*Hold against Delivery Orders, as specified. T. Thomas.*"

American share certificates are also said to be *endorsed* when signed at the back by the registered holder. See "*Bearer*."

Indorsement is an alternative spelling of the word, now becoming obsolete.

ENFACED PAPER. (*Fr.* Rente Indienne; *Ger.* Indische-Schatzscheine.) This name is given to the Bonds or Certificates of certain India Loans. They are also known as *Rupee Paper*, the interest being payable in rupees by drafts on Calcutta.

ENGROSS. (*Fr.* Accaparer, Grossoyer; *Ger.* Vorkaeufer, Rund-schrift schreiben.)

(a) *To engross* in ancient mercantile law meant to buy up all available supplies of any specific commodity on its way to the market, with the object of creating a monopoly, and so enhancing the price. The people who did this were also known as “*forestallers*,” and were the subject of much public indignation and repressive legislation; their modern prototype is the “*Profiteer*,” honoured with special legislation in 1919.

(b) The *modern meaning* of the word “*engross*” is simply to write in a certain round, bold handwriting the initial words and phrases in legal documents, the headings of accounts in ledgers, etc.

ENTERED. (*Fr.* Inscrit; *Ger.* Angegeben.) In the shipping trade the word entered has a technical meaning. Vessels are said to be *entered in* when their arrival in port has been officially notified to the Customs (*which see*), and authority has been obtained to commence unloading. Vessels are said to be *entered out* when they have notified the Customs of their intention to *begin taking on board cargo*; later, when the cargo is all aboard, certain further formalities are necessary to obtain the permission of the Customs to *actually sail*, and the vessel is then said to be *cleared out*. The following outline of a column in *Lloyd's List* will help the reader to visualise the matter:

LONDON CUSTOM HOUSE.

Entered In. July 2.

Koningin Wilhelmina, Schenk, Du, 814, Flushing, Queenborough,
A. W. Hall.

Balgownie, Goodson, Br 640, Charente, London Dock, G.S.N. Co.
..... etc.

Entered Out. July 2.

Erato, Steele, Br. 1133, Hull, Trieste, Venice, Fiume, Bari, London
Dock, United Shipping Co.

Cormorant, Phillips, Br. 460, Rotterdam, East Lane Tier, G.S.N. Co.
..... etc.

Cleared Out. July 2

Batavier IV., Wilkens, Du, 950, Rotterdam, Custom House Qy.,
Wm. H. Mueller & Co.

Orvieto, Layton, Br. 7421, Brisbane, Tilbury Dk., Anderson, Anderson & Co.

..... etc.

See also "*Entry*."

ENTREPÔT. (*Fr.* and *Ger.*, ditto.) The central idea conveyed by this word in ordinary commercial usage is that of a port or business centre which is intermediate between the country of origin of goods and their ultimate destination in some third country. Thus, the London Docks (see "*Port of London*") are an important international *entrepôt* for all kinds of goods which come hither from the Colonies and other distant lands and are subsequently sold to Continental buyers. In this, so-called, *entrepôt trade*, London has serious rivals in other ports in north-western Europe, notably Rotterdam, Antwerp, and Hamburg.

The term *entrepôt trade* has, however, also a more metaphorical significance, as applied to business conducted by intermediaries resident in a country distinct both from the country of origin and the country of destination. Thus, London merchants do a good deal of business with Continental centres in goods which are shipped from the East or elsewhere straight to Continental ports without ever touching our shores, and the profits of such business constitute one of our *invisible imports*. See "*Foreign Trade*."

See also "*Free Port*."

ENTRY. (*Fr.* Déclaration en douane; *Ger.* Zolldeklaration.) The term *entry* is applied to quite a number of different forms required by the Customs authorities (see "*Customs*"). All *entries* relate to goods, but some are made by the shipowners, and others by the importing merchants, or exporters. Naturally the formalities in the case of dutiable goods are more important, but it should be noticed that *all goods*, whether dutiable or not, have to be *entered*, both *inwards* and *outwards*; that is to say, at the time of importation and also at the time of, or shortly after, exportation. In the case of dutiable goods which are imported *for bond*, the entry is called an *Entry for Warehousing*.

See "*Prime Entry*."

EQUATION OF PAYMENTS. (*Fr.* Equation de paiements; *Ger.* Zahlungsgleichung.) An arithmetical operation, the object of which is to determine the date at which a single payment should be made in lieu of several different payments due at various dates. The rule usually followed is:

Multiply each payment by the period prior to maturity; divide the *sum* of the products by the *sum* of the payments, and the quotient is the time required.

For example, suppose £75 due at the end of six months; £90 at the end of seven months; £120 at the end of ten months. At what time must the whole be paid in one sum, so that no loss may result to either party?

$$\begin{array}{rclcl}
 75 & \times & 6 & = & 450 \\
 90 & \times & 7 & = & 630 \\
 120 & \times & 10 & = & 1,200 \\
 \hline
 285 & & & &) 2,280 \text{ (8 months)} \\
 & & & & 2,280
 \end{array}$$

This rule is founded on the assumption that the interest on the sums due before the *equated time* is equal to the interest on those falling due after the equated time, which is not strictly correct, since it is the *discount* and not the *interest* which ought to be reckoned on the latter sums. The calculation of these discounts, however, involves the use of algebra and is too complicated for counting-house practice. Moreover, the difference in the results is so trifling, that the simple arithmetical process above described is almost invariably adopted. The following examples are further illustrations of the rule:

£27 10s. is due at the end of one day; £540 at the end of 35 days; £68 5s. at the end of 90 days; £75 5s. at the end of 111 days. After how many days should all the sums be paid together without loss to either debtor or creditor?

$$\begin{array}{rclcl}
 \text{£} & \text{s.} & & & \\
 27 & 10 & \times & 1 & 27\cdot50 \\
 540 & 0 & \times & 35 & 18,900\cdot00 \\
 68 & 5 & \times & 90 & 6,142\cdot50 \\
 75 & 5 & \times & 111 & 8,352\cdot75 \\
 \hline
 \end{array}$$

$$\begin{array}{rcl}
 \text{£}711 & 0 &) 33,422\cdot75 \text{ (47\cdot008 days)}
 \end{array}$$

This is so near to 47 days, that if the £711 were paid 47 days after the due date of the first payment, neither party would suffer any appreciable loss.

In the next example, the data are expressed somewhat differently. Suppose £28 5s. to be due on February 4th, 1920; £174 10s. on March 6th; £37 5s. on April 14th; £344 on May 6th; £203 on July 13th. Find the date at which the whole may be equitably paid in one sum. (N.B.—1920 is a Leap Year.)

$$\begin{array}{rclcl}
 & \text{£} & \text{s.} & & \text{£} & \text{s.} \\
 \text{Feb. 4th} & 28 & 5 & & 28 & 5 \\
 \text{Mar. 6th} & 174 & 10 & \times & 31 & 5,409 & 10 \\
 \text{Apr. 14th} & 37 & 5 & \times & 70 & 2,607 & 10 \\
 \text{May 6th} & 344 & 0 & \times & 92 & 31,648 & 0 \\
 \text{July 13th} & 203 & 0 & \times & 160 & 32,480 & 0 \\
 \hline
 \end{array}$$

$$\begin{array}{rcl}
 \text{£}787 & 0 &) 72,173\cdot25 \text{ (91\cdot7 days)}
 \end{array}$$

This may be taken as 92 days. Now, 92 days from February 4th (reckoning 29 days in February) brings us to May 6th, the date required.

ESQUIRE. Formerly a definite title, given to a gentleman who attended on a *Knight* and bore the latter's lance and shield; the term is now widely used in business as a *handle* to the name of any individual who has no other distinguishing title. The alternative form of address, "*Mr.*," is popularly thought to be an inferior form of adulation, and besides the sacred law for business beginners that a person cannot be addressed as "*Mr. X, Esq.*," there exists an *unwritten law* that "*Esq.*" is more complimentary than "*Mr.*" A much better rule would be that persons addressed in their *business* capacity should be invariably called "*Mr.*," the term "*Esq.*" being reserved for private or professional use.

ESTOPPEL. (*Fr.* Exception; *Ger.* Einwendung.) A legal term, employed when a party to a suit is prevented from bringing forward certain evidence. The idea underlying this principle is that if a person makes a distinct and unqualified assertion, or refrains from giving distinct and unequivocal notice of certain transactions, he can be compelled to stand by the consequences of such assertion or abstention, even where there is no suggestion of *male fide*. To take an example from the law of partnership. The senior partner of a business retires, leaves the business under the old firm name, and does not inform old customers of the change. Then, if the business fails, the retired partner is "*estopped*" from proving the dissolution of partnership and has to bear exactly the same liability as though he had remained a partner.

EX ALL. (*Fr.* Sans tout; *Ger.* Ohne Alles.) This is a sort of *omnibus* phrase used to cover all or any of the various *ex*'s which are added to quotations of Stock Exchange securities, and which are referred to below.

EX COUPON. (*Fr.* Sans coupon; *Ger.* Ohne Koupon.) If a bond or share is quoted "*ex coupon*," the effect is to reserve to the *seller* the proceeds of such coupon, the price paid by the buyer being understood to be *without the coupon*.

EX DIVIDEND. (*Fr.* Sans dividende; *Ger.* Ohne Dividende.) Also written "*Ex Div.*" or simply "*Ex.*" As in the previous case, a security quoted "*ex dividend*" indicates that if a bargain is concluded the dividend remains with the seller.

EX DRAWING. (*Fr.* Sans tirage; *Ger.* Ohne Ziehung.) If bonds are dealt in round about the time that a *drawing* is to take place, the seller may reserve to himself the benefits of such drawing by quoting his price "*ex drawing*."

EX RIGHTS. (*Fr.* Sans droits; *Ger.* Ohne Bezugsrecht.) The *right* sometimes conferred upon old shareholders to subscribe on

advantageous terms to a new issue may constitute a valuable bonus, and when dealings in the old stock take place round about the time for applying for the new stock it is necessary to make quite clear whether the price is "cum" or "ex" rights.

EX SHIP. (*Fr.* Par vapeur ; *Ger.* Per Dampfer.) In all Custom-House and Dock and Wharf records imported goods are always identified by reference to the vessel in which they were imported, with the curious result that if a particular lot of second-rate ginger happens to lie about a dock warehouse for five or six years without getting sold, it is still always solemnly referred to as "*Lot XYZ 23, ex Clementine.*"

2. (*Fr.* Franco jusqu'au débarquement ; *Ger.* ab Schiff.) When applied to a quotation for goods, "*ex ship*" means *out of the ship*, or, in other words, that the seller bears all transport charges, insurance, etc., up to and including the unloading of the goods from the vessel. In such a case the buyer must pay the dock or wharfage and portorage charges.

EX WAREHOUSE, EX WHARF. (*Fr.* Franco Magasin, Franco Quai ; *Ger.* ab Lager ; ab Quai.) These are terms applied to prices of goods, and mean free of expenses up to discharge from warehouse and wharf respectively. See also "*Price.*"

EXCHANGE. (*Fr.* Echange ; *Ger.* Umtausch, Verkehr.)

(a) The ordinary person makes a kind of tacit, mental distinction between a sale and an exchange, regarding the latter term as applicable only to transactions in the nature of barter (*which see*). However, a little consideration will show that a sale is only a special form of exchange, namely, an exchange of goods or services for money (*which see*), and as the proceeds of a sale are in the usual course given in payment for fresh goods or services, there is really no logical distinction between a sale and an exchange ; and, in point of fact, the economist uses the term "*Exchange*" to cover the whole field of *commercial* transactions. An analysis of the following examples will reveal six distinct species of exchange :

- i. The payment of money for a joint of meat.
- ii. The giving of commodities on the truck system as a reward for labour (see "*Rate of Wages*").
- iii. The purchase of a house, settled by the passing of a cheque.
- iv. The services of a medical man, balanced by the labour of a gardener.
- v. The payment of a clerk's salary by means of a cheque.
- vi. A sale of bills, in exchange for a credit in the books of a bank.

Exchange is, in fact, one of the most important fields of economic study, as may be gathered from the fact that it was at one time proposed to rename the major portion of "*Political Economy*" "*Catalactics*," or the *Science of Exchanges*. However, the name did not

prove popular. Co-operators (see "*Co-operation*") prefer to use the word "*Distribution*" in this connection. Let the reader decide for himself the force of the following line of argument: "Neither in the Wholesale Society nor in the distributive store are the goods 'sold' to the members at a 'profit' as these terms are understood in the world of competitive trade. When the Wholesale sends boots made at Leicester to a society, and the latter hands them to a member, there is no 'sale' in the economic sense, but merely a process of distribution."

Exchange Value. The ratio in which two commodities, two services, or a commodity and a service, are exchanged, is called the *value* of the one in terms of the other, and *price* is a particular kind of value, namely, value expressed in terms of money. The general statement that value depends on the equation of *demand and supply* (see "*Demand*") is, so to speak, a first approximation; but any complete study of exchange must go deeper and determine the underlying conditions of both demand and supply. This opens up the wide and absorbing topic of "*Markets*," the fixing of prices where either demand or supply, or both, are for the time being unalterable and only capable of adjustment *in the long run*, the wide price fluctuations of perishable articles like strawberries, fish and meat, the development of cold storage as an element in steady prices, and so on.

Limitations of space forbid any adequate treatment of this fascinating subject of *exchange*, but just one illustration of a case in which the very efficiency of facilities for marketing seem to have had an adverse effect on prices is given below, to indicate the possibilities of this branch of economic science. Dr. Magill, as Chief Commissioner of the Dominion Grain Commission, reported some years back on the Elevator system (see "*Elevator*") as follows:

"The price offered for the Canadian Wheat Crop of 1913 was very adversely affected by the enormous quantity pressed upon the market during the months immediately following the harvest. An inquirer cannot help raising the question whether Canada has not lost heavily by her method of selling grain. Crop estimates of an optimistic character, the publication of the large amounts daily inspected, the advertising of the financial difficulties of the moment, the method of trading, which is almost that of public auctioning, and the concentration of all the energies of the country on the rapid marketing of the crops, are conditions that must tend to 'bear' the market. What prices would a merchant obtain for his stock if he (1) proclaimed that his financial position compelled him to sell immediately; (2) advertised that he had an enormous amount of it on hand; (3) and put up his stock to public auction? . . ."

(b) *Exchange* (or "'Change) is a name sometimes given to any stock or produce market, and then corresponds exactly to the French "*Bourse*," which, notice, is not necessarily a Stock Exchange. See also "*Stock Exchange*."

(c) *Foreign Exchange.* Although in its economic sense, exchange means, virtually, *trade*, the term *foreign exchange* does *not* mean foreign trade (*which see*), but has a special, technical significance in connection with Bills of Exchange. See “*Foreign Exchanges.*”

EXCHANGES. See “*Foreign Exchanges.*”

EXCHEQUER BILL. (*Fr.* Bon du Trésor ; *Ger.* Schatzschein.) An instrument of credit (in the form of a promissory note) created by the Commissioners of His Majesty's Treasury for the purpose of raising money for temporary purposes to meet the necessities of the Exchequer. Exchequer Bills form a large portion of the *unfunded* or *floating* debt of the country. The following are some of the most characteristic features of an Exchequer Bill :

(1) They are issued for sums of £100 each, or some multiple of £100, and bear interest at a rate fixed at the date of issue, and at the beginning of each subsequent year.

(2) They bear a sheet of ten coupons, payable half-yearly, and will therefore last for five years without renewal. Below is a specimen of the coupon on a £500 Bill :

EXCHEQUER BILL. INTEREST CERTIFICATE.

£500

Per Act. 29 Vict. Cap. 25.

This Coupon entitles the Bearer to Interest on the above sum for the half year to the 11th March, 19—.

Comptroller and Auditor General.

It will be observed that the amount due on each coupon is not named, because they run for five years, and the interest is fixed only from year to year.

(3) At the end of twelve months, the holder of an Exchequer Bill may claim payment of the principal sum named on the face of it, but if payment is not so claimed, then the Bill shall have legal currency for the next following twelve months, and the holder will have no title to claim payment until the close of that period, but will continue to receive interest on the principal sum by presenting each half-yearly coupon in the usual way at the Bank of England. The same rule applies to each succeeding year.

(4) Even when the coupons are exhausted, the holder of the Bill may, if he so prefer, have it renewed instead of being paid off.

(5) At any time during the last six months of *every* year from the date of the Bill, such Bill will be received by the collectors of Customs, Excise or other duties payable to the Government for the face value thereof.

(6) If an Exchequer Bill be defaced by accident, so as to make it difficult of negotiation, a new one may be obtained in exchange for it.

(7) The interest on an Exchequer Bill can never exceed $5\frac{1}{2}\%$ p.a., and it has sometimes fallen as low as $2\frac{1}{2}\%$, the actual rate depending on the general state of the money market.

As a matter of nomenclature, the Exchequer Bill seems now to have been superseded by the more modern *Treasury Bill* (which see), whilst the *Exchequer Bond* remains. See figures given under "*National Debt*."

The reason why Exchequer or Treasury Bills are sought after by big financial interests is that they are nearly always quoted in the market at a premium, and are always saleable. They therefore furnish a near approach to that great desideratum of the financier, money that shall yield interest and yet be "ready money."

The word "*Bill*" in the phrase *Exchequer Bill* is somewhat different from that in "*Bill of Exchange*" as regards its origin. An Exchequer Bill was originally an Exchequer *Billet* or piece of wood (Norman French: *Bille*), which was the primitive form in which Exchequer Bills were at first issued. In practice, the billet, bille, or bill, was a single piece of wood, having notches cut transversely across it. It was thus distinguished from the later *tally*, which was a similar piece of wood, slit longitudinally through all the notches.

EXCHEQUER BOND. (*Fr. and Ger. as Exchequer Bill.*) Exchequer Bonds are issued under the authority of the same Act as Exchequer Bills, and by the same Commissioners. *Bonds*, however, differ from Bills, as will be seen from the following details:

(1) Exchequer Bonds are issued to run for a *definite period of time*, but in no case to exceed *six years*. In most cases they run for shorter periods than the maximum, and they must be presented for payment at maturity, as interest thereon ceases at that date.

(2) The interest payable on Exchequer Bonds is *fixed at the time of issue*, and the amount payable is printed on each coupon. It cannot exceed $5\frac{1}{2}\%$, and, as in the case of the Bills, may be much lower.

(3) They may be registered or inscribed in the books of the Bank of England, and certificates of such registration given in lieu of bonds. Such certificates would bear no coupons, and the half-year interest would have to be applied for much in the same way as in the case of *Consols*. See also "*Treasury*" and "*Treasury Bill*."

EXCISE. (*Fr. and Ger. Accise.*) Since 1909 the *Excise* branch of the Revenue departments has been combined with the *Customs* under one Board of Control. See also "*Customs*."

As in the case of the Customs, the bulk of the revenue brought in by the Excise is derived from remarkably few sources. Of a total estimated Excise revenue for 1919-20 of £118,500,000, Beer was to bring in £60,000,000, Spirits £42,000,000, Entertainments £8,000,000,

and Liquor Licences £2,000,000, leaving only a paltry £6,500,000 to accrue from all other sources of Excise revenue—petrol tax, licences for auctioneers, hawkers, tobacco dealers, pawnbrokers, duty on playing cards, patent medicines, etc., etc.

In so far as the bulk of the Excise revenue is collected literally “at the source” in large breweries and distilleries, the collection of this form of *indirect* taxation does not inflict so many vexatious formalities and restrictions on trade as in the case of the Customs.

EXTENSION OF PROTEST. Under the head “*Dishonour*,” it is stated that simply *Noting a Bill* and returning it is regarded in law as a sufficient *Protest*, and this method is often adopted when bills are returned to parties in the same town or district. But when the Protest has to be sent from one district to another, and in any case when sent *abroad*, the Notary is required to issue the recognised formal document (see “*Dishonour*”), and this proceeding is technically called *Extension of Protest*.

EXTRAORDINARY MEETING. Under the Companies Acts, any meeting of shareholders—duly convened—is called an “extraordinary general meeting” unless it is an “ordinary general meeting” as laid down in Section 64 of the Act of 1908 or the Company’s Articles.

EXTRAORDINARY RESOLUTION. See “*Resolutions*.”

F

FACE VALUE. (*Fr.* Valeur nominale; *Ger.* Nominalwert.) The value appearing on the face of a Bond, Debenture, Share Certificate, or other negotiable instrument. Of course, the face value may be something very different from the market value, which may be greater or less. Again, face value may be different from intrinsic value (*which see*). Sometimes face value is referred to as *Nominal Value*.

FACTOR. (*Fr.* and *Ger.* Agent.) See “*Agent*.”

FAILURE. (*Fr.* Faillite; *Ger.* Bankrott.) See “*Bankruptcy*.”

FALL. The American term for Autumn; occurs frequently in crop forecasts, trade reports, etc.,

FARTHING. English bronze coin, composed of 95 parts of copper, 4 of tin, and 1 of zinc; its value is one-fourth of one penny (literally the *fourth-thing*). The humble farthing is not recognised on cheques, bills of exchange, etc., and only intrudes into the world of finance in the calculation of certain foreign exchanges; in other trades, notably the *drapery* (or “*Dry Goods*,” as the Yankee would say), prices were habitually expressed in odd farthings in pre-war days. When goods

are dealt wholesale in a small unit of weight the farthing becomes *too big* a unit; thus, *cloves* are dealt in *eighths* of a penny per lb.

FAVOUR.

(a) *In favour of.* (Fr. En faveur de; Ger. zu Gunsten.) Cheques and bills of exchange are said to be drawn *in favour of* the payee, who may in turn endorse them *in favour of* an endorsee. Similarly one talks of a Bill of Lading or a Dock Warrant made out, or endorsed, *in favour of* certain parties.

(b) *For favour of.* (Fr. Que veuillez Ger. zwecks . . .) A trite commercialism which, like, e.g., “*for regularity’s sake*,” and other indefensible tags, has attained by long usage a spurious respectability. Thus, one hears of bills sent for favour of endorsement, transfers sent for favour of signature, and so on.

(c) *Favour.* (Fr. Honorée; Ger. Geehrter (Brief).) Another hackneyed term of commercial correspondence, meaning nothing more or less than a letter received. Needless to say, it is the letters from clients and customers that are *favours*, not those from agents, carmen, and the like !

FAVOURABLE. (Fr. Favorable; Ger. Guenstig.) A term constantly used in reference to the rate of exchange between two countries. (See “*Foreign Exchanges.*”) It is, however, evident that a rate of exchange which is *favourable* to one country is unfavourable to the other; and also that a rate which is favourable for *drawing* is unfavourable for *remitting*. The term is, therefore, ambiguous, when tried by either of these tests. To obviate this ambiguity, it is found convenient in practice to assume that a merchant always means his own country when he speaks of the exchange on some other country being favourable or unfavourable; and then he simply means that by the alteration in the rate of exchange *more* or *less* of the coinage of that other country is given for a stated amount in the coinage of his own. Thus, if the rate of exchange between Amsterdam and London moved from 11·90 florins to 11·95 florins per pound sterling, a London merchant would say that the exchange had become more favourable, and a Dutchman would say it had become less favourable, or, in other words, had *moved against* him; for obviously the Dutchman would now have to give, and the London merchant to receive, a greater number of florins for a specified sum in English currency. In this illustration, however, be it noted that the London merchant is supposed to be an importer, or one who has to *remit* to Amsterdam. For the *exporter* the rise from 11·90 to 11·95 is unfavourable, since it tends to slacken the willingness of the Dutch customers to buy goods for which they will have to pay a greater number of florins for every sovereign’s worth.

Lord Goschen (*Theory of Foreign Exchanges*) states the case in different terms, thus: “When it is said that the exchanges are *favourable* to any particular country, the intention is simply to state the fact that bills of that country upon foreign cities are *difficult* of

sale, whilst bills drawn from abroad are at a premium. So when it is said that the exchange is *unfavourable*, a situation is described in which *foreign bills are in great demand*, and when consequently their value seems likely to be so enhanced as to render the export of bullion an unavoidable alternative."

There is, however, yet another test which may be applied to the exchanges, and in regard to which we may say they are "favourable" or "unfavourable." Let it be borne in mind that it is a bad thing for any country to have less gold than is needed for the requirements of trade (see "*Drain of Bullion*"), and equally bad to have a glut of it—that is, *more than can be profitably employed*. When there is too much the rate of interest or discount will sometimes fall, as it did, for instance, in 1879, as low as 1%. (See *Appendix*.) When there is too little, the rate may rise, as it did in 1866 to 10%, or in 1878 and again in 1907, to 7%. Both extremes are disastrous to bankers and merchants, and commerce becomes completely disorganised as long as they continue. There is a pretty general consensus of opinion that business never proceeds so smoothly and profitably as when the rate of interest and discount is somewhere about 4%. Hence, whenever the reserve of gold in the vaults of the Bank of England runs so low as to render the stability of the whole credit system at all precarious, that would be considered a "favourable" turn in the exchanges which caused gold to flow into the country. But should the inflow proceed to such an extent as to overstock the market with gold, then any alteration in the rate of exchange which *checked* the inflow would be considered favourable; from this, again, it is seen that a "favourable" or "unfavourable" rate of exchange is not so much a matter of the *direction* in which the exchanges move, as of the *results* brought about by the movement. A movement in the rate that is "favourable" up to a given point, is "unfavourable" when pushed beyond that point. The converse, however, is not true; an "unfavourable" rate of exchange never becomes "favourable," but grows worse and worse as it proceeds towards "*gold point*."*

FEE. (*Fr. Frais; Ger. Gebuehr.*) Apart from its general meaning of charge for services rendered, the word *fee* has a special technical significance in the phrase "stamp and fee," as relating to transfers (*which see*). *Fee* then means the charge made by a company for registering a transfer, and must be carefully distinguished from "stamp," which is the Government duty on the transfer. Companies can fix their own fees, but the usual charge is 2s. 6d. per transfer, or 2s. 6d. per 100 shares transferred.

Fee Simple, applied to real estate, means unrestricted freehold.

* Of course, so long as emergency war restrictions on gold shipments remain in operation, the "gold point" offers no check to unfavourable rates of exchange. See "*Foreign Exchanges*."

FIDELITY GUARANTEE. (*Fr.* Garantie de fidélité; *Ger.* Redlichkeitsbürgschaft.) The name given to the surety demanded by an employer in respect of an employee who holds a position of trust. Such guarantees can now be obtained through almost any insurance company, upon payment of a premium, and this is a welcome facility for capable young men of limited means and not blessed with wealthy connections.

FIDUCIARY. (*Fr.* Fiduciaire; *Ger.* Ungedeckt.) The word *fiduciary* is used in banking and commerce to signify "without security," or "*uncovered*." Thus, a *fiduciary loan* is one advanced on the honour and good faith of the borrower without deposit of securities, or *cover*. Similarly, an issue of bank-notes not covered by deposit of bullion is called a *fiduciary issue*. The term *the fiduciary issue* means that portion of the Bank of England's note issue against "Government Debt and Other Securities." See "*Bank Return*."

FINANCE. (*Fr.* Finance; *Ger.* Finanz, Bankwesen.) Originally, *Finance* was a term applied only to the management of State revenues, but latterly that has been defined as *public finance*, and the simple term *finance* describes banking and other operations involving large sums of money. Thus, to *finance* an enterprise is to find the necessary funds to carry it on, and the title *financier* is loosely applied to anyone who deals with money matters, as distinct from more technical questions, such as manufacturing and salesmanship.

If a distinction has to be made between a *financier* and a *capitalist*, it would be that the latter *owns* wealth and the former *directs the use* of it. In this sense, it may be noted in passing, Continental bankers are more truly described as financiers than their English confrères, since Continental banks make the financing of industrial and commercial concerns part of their regular business, whereas in this country such operations are left to the company promoter, the big English banks being much too "conservative" for "company work," which, in fact, is not regarded as legitimate banking. See "*Banking*."

FINE. (*Fr.* Pur; *Ger.* Fein.) The *degree of fineness* of gold or any other metal means the proportion the pure metal bears to the baser metal used as alloy. See also "*First Class*."

FIRE INSURANCE. (*Fr.* Assurance contre l'Incendie; *Ger.* Feuerversicherung.) See "*Insurance*."

FIRM. (*Fr.* Maison; *Ger.* Firma.) A somewhat vague term applied to almost any kind of business or industrial enterprise which is not a limited company, a bank, or other concern with a special dignity. Thus, any partnership can be called a firm, but a limited company is a *company*, and a bank is an *institution*. *Long firm* is a name given by the police to a certain form of swindling by persons who pose as a

business house, order goods from numerous sources and very soon vacate their *premises*, taking the goods with them.

FIRM OFFER. (*Fr.* Offre ferme; *Ger.* Feste Offerte.) An offer which is intended to be binding if accepted within a period stipulated or implied. Business offers are of two kinds. A merchant offers his wares either :

- (a) *Subject to prior sale* (*Fr.* sauf vente; *Ger.* freibleibend) or, as commonly put, "subject unsold"; that is to say, if the goods have been sold elsewhere before receipt of acceptance, the offeror is not bound by his offer.
- (b) *Firm* (*Fr.* ferme; *Ger.* fest).

The distinction is tremendously important, and business people are most careful to be precise in this particular. Take a practical illustration. An exporter has a *parcel* of, say, 2,000 bags of rice which he thinks he could *place* to advantage on the Scandinavian market. He sends samples *simultaneously* to twenty different firms in Stockholm and Christiania, and offers to each, say, 500 bags, "subject unsold." The optimism of the business man is tempered by experience, and our exporter, in making the above arrangement, tacitly assumes that 20% of his offers will lead to business; if four of the twenty firms accept, he has got rid of the 2,000 bags. If, by any chance, more than four accept, he is covered by his saving clause, "subject unsold"; he concludes business with the most desirable four, and may still get orders from the others on the basis of fresh samples of something "just as good." Were the exporter to accompany his samples with *firm offers*, he could obviously offer 500 bags to only four prospective buyers simultaneously, and would then have to await their answers before approaching others, so that a considerable time would elapse ere all twenty firms had the business put to them.

The advantage from the seller's point of view of offering goods "*subject*" is, however, a potent reason why a *firm* offer carries more weight with a prospective buyer.

The duration of a firm offer is, as a rule, strictly limited and defined. Thus, for example :

"Offer you firm for reply by 2 p.m. . . ."

"Offer good for one hour . . ."

"Offer in force till noon Saturday . . .," etc.

FIRST-CLASS PAPER. (*Fr.* Titres de premiere classe; *Ger.* Prima Wechsel.) A term applied by bankers, bill brokers and others to Bills of Exchange and other negotiable instruments which are considered of undoubted security by reason of the names that appear thereon. It corresponds to the expression "*gilt-edged*" as applied to stocks. The term *fine bills* has the same meaning.

FIRST, SECOND, THIRD OF EXCHANGE. (*Fr.* Première, Deuxième, Troisième de Change; *Ger.* Prima, Sekunda, Dritte Wechsel.)

Bills of Exchange (*which see*) are sometimes drawn in sets of two, or even three, called, respectively, the First, Second, and Third of Exchange. On the first is inserted the phrase, "this First of Exchange (second and third of the same tenor and date unpaid)"; on the Second, the phrase, "this Second of Exchange (First and Third of the same tenor and date unpaid)"; on the Third, "this Third of Exchange (First and Second of the same tenor and date unpaid)." In all other respects the three forms are identical. The object of making out foreign bills in sets of two or three is to facilitate their negotiation, and also to prevent loss or delay in consequence of miscarriage or other untoward event.

FISCAL YEAR. (*Fr. Exercice; Ger. Finanzjahr.*) The *year* of finance is not always coincident with the *year* of the calendar, notably in the case of the British Budget, which is always prepared for a year ending 5th April. The term *fiscal year* is also useful in the case of companies and firms whose balance sheets are not made out per 31st December. Thus, if a company prepares its annual balance sheet per 30th June, its fiscal year runs from 1st July to the following 30th June.

FIXED CAPITAL. (*Fr. Capital fixe; Ger. Angelegtes Kapital.*) As used by economists, the term *fixed capital* is opposed to *circulating capital* (see "*Capital*"). Its meaning, however, is, after all, very similar to what the man of affairs understands by fixed capital, that is to say, capital *sunk*, or *locked-up* in an enterprise, and not easily recoverable, as distinct from *floating* or *working capital*.

FIXED CHARGES. (*Fr. Dépenses invariables; Ger. Feste Spesen.*) In the conduct of any enterprise, there are certain charges which recur at regular intervals, are always the same in amount, and are known beforehand. These are called *fixed charges*, and the importance of knowing the total of fixed charges is that they can then be deducted from estimates of profits in an attempt to arrive at probable net results. In the case of small companies, rent, directors' fees, etc., may be ranked as fixed charges, but in the case of larger concerns, like railways, such items are included in "*operating expenses*," and the term *fixed charges* is applied to debenture interest and preference dividend, sinking fund, etc.

FLOATERS. (*Fr. Nantissement; Ger. Depot.*) The name given in the Money Market (*which see*) to the bills and securities accepted by banks and financial houses as deposit against loans of "*Call Money*" (*which see*).

*Floater*s consist of first-class bills, Consols, India and Irish loans, and sometimes also Colonial and other *gilt-edged* stocks. In fact, they represent absolutely unimpeachable security; but the term is nevertheless somewhat elastic, since the bigger banks are more exacting than smaller institutions as to what constitute "*floaters*"; again, a bank

specialising in business with a certain colony or foreign country will readily accept the government stock of that colony or country as security for *daily money*, whereas the stock in question might not be regarded as legitimate "floaters" by the ordinary clearing banks.

FLOATING CAPITAL. (*Fr.* Fonds de roulement ; *Ger.* Betriebskapital.) Floating capital is that portion of the wealth of a banker or trader which he employs in such a way that, by parting with it, he can replace it with a profit in a single operation. As there is very little capital that can be said to be absolutely *fixed*, so there is little, if any, that can be called purely *floating*. The term, however, is a convenient one, and serves to distinguish, even if but vaguely, that portion of capital which is not appropriated to any fixed or permanent investment.

Capital invested in the *purchase* of mines, railways, land, etc., must remain *fixed* for years, but the money spent in wages for operating such mines and railways, or cultivating such land is in the nature of floating capital, since, presumably, it brings a prompt return in the form of proceeds of sales ; strictly speaking, however, a distinction should be made according to the nature of the labour paid for ; thus, the wages paid to a quarryman for extracting marble may correctly be classed as floating capital, but the wages paid to men engaged in draining the quarry, or effecting some such permanent improvement, ought really to be treated as fixed capital. Hence a distinction can be drawn between *floating* and *working* capital.

FLOATING CHARGE. (*Fr.* Hypothèque flottant ; *Ger.* Schwebende Buergschaft.) Not the reverse of fixed charge (*which see*), but a general lien on assets and income, as distinct from a mortgage of specific property. See "*Debenture*."

FLOATING DEBT. (*Fr.* Dette non-consolidée ; *Ger.* Schwebende Schuld.)

The *Floating*, or *Unfunded*, debt of a Government consists of *temporary* indebtedness, whether in the form of bank overdrafts, unpaid bills, "ways and means advances," etc., as distinct from its *funded debt*.

The Floating Debt of the United Kingdom in 1919—after the conclusion of peace, and after the issue of the much-advertised "Funding Loan" and "Victory Bonds" of that year—stood at about £1,200,000,000, two-thirds of which was represented by Exchequer Bills and one-third by "Ways and Means Advances." See also "*Funding*" and "*National Debt*."

FLOATING POLICY. See "*Block Policy*."

FLOTSAM, JETSAM, and LAGAN. (*Fr.* Objets flottante, jétés à la mer, et trouvable par moyen d'une bouée ; *Ger.* Strandgut, Notschutt, und Wrackgut.) To constitute a legal *wreck*, goods must come to land, when they become the property of the King, the Sheriff, or the

Lord of the Manor. They must, however, be kept for a year and a day (in France for a year, in Holland for eighteen months), so that if anybody can prove a property in them they shall be restored to him without delay. But in the case of goods found floating on the surface of the sea—*flotsam*—they remain the property of the owner, since it is assumed that he has not renounced his right to them: but if no owner appears, they become the property of the Crown. Goods thrown overboard, and which sink to the bottom of the sea, are dealt with in the same manner, and are known as *jetsam*. *Lagan* or *Ligan* refers to goods sunk in the sea, but attached to a cork or buoy in order to be recoverable later. Here it is clear that the owners did not intend to renounce their property in the goods, as they had done all in their power to assert their right to them. Hence *flotsam*, *jetsam*, and *lagan* are not the lawful spoils of the finder, but must be delivered up to the legal owners on payment of a reasonable reward by way of *Salvage* (*which see*).

FOLIO. (*Fr.* Folio ; *Ger.* Folio.)

(a) In *Book-keeping*, a *folio* consists of two pages presented to the view when a book is laid wide open, and which are usually indicated by one and the same number. When entries are made from Book A into Book B, the so-called *folio-number* of the entry in Book A is entered in Book B in a special column, thereby facilitating reference.

(b) In *Law-writing*, a *folio* sometimes means a single page; at others, as in conveyancing, it signifies 72 words; in Chancery proceedings, 90; and in Exchequer proceedings, 80.

(c) In *Book-binding*, a *folio* is a sheet so folded as to make two leaves without further folding; if folded so as to make four leaves, the sheet is said to be in *quarto*; in *octavo* when folded again to make eight leaves, and so on for 16mo, 32mo, etc.

FORCE MAJEURE. (*Fr.* and *Ger.* ditto.)

A legal term denoting events or circumstances which affect the action of parties to an agreement which cannot humanly be prevented, and which absolve the parties from any intention of evading their obligations.

FOREIGN COMPANIES. The provisions of the Companies Acts would obviously entail a certain hardship on English companies if companies of foreign origin were permitted to do business in this country without any supervision or restrictions, and so certain particulars are required of all foreign companies having a place of business here.

Such companies must file with the Registrar of Companies:

- (1) A certified copy of their statutes, or other documents defining their constitution;
- (2) A list of Directors, or persons holding an equivalent status;

- (3) Names and addresses of persons domiciled in the United Kingdom who have authority to accept formal notices or writs on behalf of the company.

Further, a foreign company must annually file a statement of affairs corresponding to a balance sheet, and if "*Limited*" forms part of its name:

- (a) The country of incorporation must be stated in every prospectus issued;
- (b) And conspicuously exhibited in every place where it carries on business;
- (c) And legibly inserted in all billheads, notepaper, advertisements, etc., employed by the company.

See "*Limited Liability Companies*."

FOREIGN EXCHANGES. (*Fr.* Cours de change; *Ger.* Wechselkurse.) Strictly speaking, the *foreign exchanges* means the list of exchange rates on various foreign countries, but the term is used very loosely and often refers to questions arising in connection with the settlement of international indebtedness.

A *rate of exchange* expresses a ratio between the currency of one country and that of another. It is, perhaps, hardly necessary to explain that the actual exchange of coins and notes of one country for those of another is practically confined to tourist traffic, and that rates of exchange concern in the main the sale or encashment of bills of exchange (see "*Bill of Exchange*," "*Discount*," etc.), cheques, coupons, and other credit documents.

To a dealer in bills or other credit documents rates of exchange are, in effect, simply *prices*, the prices at which he can buy or sell bills on foreign countries. Consider, by way of illustration, the following list of pre-war exchange rates:

	Sight Rate	3 months' Rate	Bank Rate of Discount	Market Rate of Discount
France	25·18	25·37	3½%	2¾%
Germany	20·50	20·66	4%	2¾%
Belgium	25·36	25·54	4%	2¾%
Holland	12·2½	12·5	3½%	3½%
Austria	24·17	24·42	4%	3½%
Russia	25 <i>d.</i> per <i>Rbl.</i>	24¾ <i>d.</i> per <i>Rbl.</i>	5½%	5%

It will be noticed that, except in the case of Russia, the exchanges are quoted in so much foreign currency per pound sterling.

The *Sight Rates* (or *Cheque Rates*) indicate the rates at which demand bills or cheques on the various countries will be dealt in.

Three Months' Rate. As explained under "*Discount*," the three months' rate is calculated from the sight rate, on the basis of the ruling discount rate in the country on which the bill is drawn. It would not be quite accurate, however, to say that the so-called *long* rate invariably

depends on the *short* rate ; rather ought it to be expressed that the long and short rates are interdependent, the connecting link in all cases being the discount rate of the country concerned.

Fluctuations in the Rates. The varying balance of indebtedness between one country and another (see "*Foreign Trade*") affects the demand for bills, and hence the daily fluctuations in the exchange rates. These fluctuations are to some extent modified by the *arbitrage* operations of bankers and bill brokers, whose business it is to discover whether an indirect exchange transaction *via* country C is more profitable than simply dealing on the basis of the direct exchange rate between A and B.

Arbitrated Rates. The rate of exchange between A and B, as calculated from the ruling rates of A on C, and C on B, is called an "*arbitrated rate*," and this possibility of *indirect* settlement of indebtedness has, naturally, a steadying influence on exchanges in general.

However, in spite of such arbitrage operations, the exchange rates may, and do, show wide fluctuations at different periods, when there is an abundance of money in one country, or a shortage in another, or the balance of indebtedness is considerable. The limits to such fluctuations are set by what are known as the *gold* (or *specie*) *points*, which call for a little explanation.

Mint Par of Exchange. The ratio which expresses the value of the standard money of one country in terms of the standard money of another is known as the *mint par of exchange*, and it needs no demonstration that the *sight* rate of exchange will tend, under ordinary circumstances, to approximate to the mint par. In other words, if the mutual indebtedness of France and England were perfectly balanced, the sight rate of London on Paris ought to be the mint par, namely, about 25·22½. For weeks and months on end, however, the actual sight rate will rule either above or below the mint par, and the question arises, How far can the sight rate diverge from the mint par ?

Gold Point. Can the rate go so low as Frs. 25 per £1 ? The reply is in the negative, the reason being that long before the rate had become so unfavourable (from the English point of view) it would have become profitable to settle indebtedness to France by actually *shipping gold* (French gold coins, if obtainable at the Bank of England ; otherwise, bar gold or English sovereigns) from London to Paris, and thus bringing the mint par into operation. Similarly, the sight rate could never get so high as, say, 25·50, because before then gold would be shipped from Paris to London to liquidate obligations. Thus, there are *two gold points* for each rate of exchange, one high and one low ; they are equidistant from the mint par, unless, as in the case of France, obstacles are placed in the way of a withdrawal of gold for export, and they differ from the mint par by the cost (per £1) of actually sending gold from one country to another, including, of course, insurance and

all incidental charges. The actual gold points for the Paris sight rate are, roughly, 25·12½ and 25·32½.

It happens from time to time that the gold point is reached in a certain exchange rate, and shipments of gold in considerable quantities do take place. Such shipments, however, are a matter of serious concern to the country from whence they are made. This aspect of the foreign exchanges is further dealt with under the head of "*Drain of Bullion*" (*which see*). See also "*Favourable*."

The foregoing applies to normal peace-time conditions, as it is not thought desirable in a work of this character to dwell unduly on exceptional war phenomena, which it is to be hoped will rapidly disappear; but the extraordinary dislocation of normal exchange rates, owing to the exhaustion of belligerent states and the entire suppression of gold movements, is illustrated by the following table of rates ruling after the Versailles Treaty of 1919:

Place.	Actual Rates of Exchange recorded in 1919.		Mint Par of Exchange.
Paris ..	45 frs. per £1	..	25·22
Brussels ..	42 " " "	..	25·22
Amsterdam ..	10 fl. per £1	..	12·10
Milan ..	53 lire per £1	..	25·22
Berne ..	20 frs. per £1	..	25·22
New York ..	3·67 dollars per £1	..	4·86
Montreal ..	4 " " "	..	4·86
Berlin ..	200 marks per £1	..	20·43
Stockholm ..	16·73 kr. per £1	..	18·15
Christiania ..	17·80 " " "	..	18·15
Copenhagen ..	21·40 " " "	..	18·15
Buenos Ayres ..	62d. per dollar	..	47·58d.

It is interesting to notice that in spite of the disappearance of gold coin, the reduction in the purchasing power of a sovereign, and the impossibility of sending gold abroad, the British pound actually rose in value during the war, when compared with the average value of the currencies of eighteen of the principal countries. An official table published in August 1919 showed that, averaging the exchange rates of eighteen countries, the purchasing power of the pound sterling was, on August 22nd, 1919, over 27s., as against 20s. 6d. on July 30th, 1914. After eliminating the exceptionally high value of sterling in German and Finnish currency, the average value of the pound sterling came out at 22s. 3d. on August 22nd, 1919.

FOREIGN TRADE.* (*Fr. Commerce avec l'Etranger; Ger.*

* For the purpose of the present work it is not proposed to enlarge upon the abnormal trade figures of the war period (1914-19) or the years immediately succeeding, but the reader is reminded of the immense strides made by the United States as a factor in the shipping world, the changed position of this country as an exporter of coal, the acceptance of the principle of "protection" for certain national industries, and so on.

Auswaertiger Handel.) Before the outbreak of war in 1914 the Foreign Trade of the United Kingdom ran into a total of about £1,500,000,000 annually. *Imports* accounted for, roughly, £825,000,000 of this, and the principal items in the latter total may be grouped as :

Food and Drink, say	..	..	..	£300,000,000
Raw Materials and partly-manufactured goods				£300,000,000
Manufactures	..	..	..	£225,000,000

The total *Exports* were valued at, roughly, £675,000,000, of which the following grouping is significant :

Food and Drink, say	..	..	..	£35,000,000
Raw Materials	..	..	..	£70,000,000
Manufactures	..	..	..	£420,000,000
Re-exports	..	..	..	£150,000,000

Re-exports. Of the *Imports*, about £150,000,000 appeared again as *Exports*, being known as *Re-exports*. See "*Entrepôt*."

Invisible Exports. The striking and permanent excess of *Imports* over *Exports* (about £150,000,000 yearly) is to some appreciable extent capable of the simple explanation that in the returns from which the Board of Trade figures are derived, that is to say, the *Customs specifications*, *Imports* are shown at *c.i.f. values* (i.e., cost *plus* freight and insurance), whereas *Exports* are declared at *f.o.b. values* (i.e., *without* the cost of insurance and freight). Possibly the freight earned on our *Exports* amounted to, say, £20,000,000, most of which went to British shipping companies, but this was only a part of the huge total (estimated at about £100,000,000) earned by our mercantile marine. This sum due to British shipping companies was as effective a claim on foreign countries as though goods to that value had been sent abroad ; it was settled not in money but in goods, that is, in *Imports*, and thus accounted for the major portion of the so-called invisible *Exports*. Other invisible exports are the moneys due to insurance companies ; commissions to merchants, very often in respect of transactions which are not represented at all in the import and export figures of this country ; the interest due on the immense total of British capital invested in foreign countries and the Colonies, and so on. When the protectionist controversy becomes acute, there is always a recurrence of the argument that the excess of imports over exports means that as a nation we are *living on our capital*, but no economist of standing supports this view.

The central fact to be borne in mind regarding foreign trade is that *goods are paid for by goods* or such services as carriage, insurance, etc., and *not by money*. The explanation of this follows from a correct understanding of the operation of the *Foreign Exchanges* (which see), where it is explained that the rate of exchange may offer an inducement to exporters of goods long before it reaches the point where there is an inducement to export actual coin or bullion.

Theory of Foreign Trade. Space does not permit of a full treatment

of the theory of foreign trade, but a few central ideas may be briefly expressed as guides to correct thinking on this vital subject.

Foreign Trade has been described as merely *territorial division of labour*, and even the most fervid protectionist would not advocate, say, the production of tea and spices in this country. It is evident that an interchange of products between East and West, between tropical regions and temperate, and between agricultural and manufacturing peoples is advantageous to all concerned. When, however, it becomes a question of interchange of products between two countries in similar latitudes or in a similar state of industrial development, objections are raised by those who see in the import of products that *could* be produced at home a menace to national prosperity. The objectors are apt to forget that, as explained above, imports are paid for by exports, and that, therefore, it is difficult to see how the labour market, for which protectionists always have such solicitous anxiety, can suffer by importation of foreign goods. Further, the fact that a country imports certain goods does not necessarily mean that her capacity for producing those particular commodities is *inferior* to that of the country supplying the imports; it implies merely that her capacity for producing those particular goods is *relatively* (not *absolutely*) inferior. This point is fully dealt with by Professor Nicholson in his *Elements*, where he shows that if countries A and B each produce corn and cloth, and if A has an *absolute* advantage over B in producing both commodities, yet if A has a greater *relative* advantage in corn, it will export corn and import cloth from B in exchange.

Foreign Trade widens the area of competition, and thereby militates against monopolies and industrial and commercial inefficiency. Cases constantly occur in which the consumer would be at a hopeless disadvantage unless he had the productive capacities of foreign countries at his disposal; thus, when a railway company placed an order abroad for locomotives, it was announced that, "apart from the question of *price*, the necessity for *prompt delivery* is given as a reason for placing the order abroad, British firms being very fully booked for the last half of the year." Had a protective duty or prohibition made the resort to foreign sources of supply impossible, not only the railway company, but probably all the other *consumers* of locomotives in the home market would have been penalised by extortionate demands and delays on the part of the home manufacturers.

It has been sought to justify protection on economic grounds in the case of "infant industries" and food supplies, but the history of tariffs, whether in democratic America or the old autocratic Germany, goes to show that truly economic considerations have little weight, as compared with the pressure of vested interests.

FORESTALL. Now practically obsolete; a term used in the Middle Ages to denote the operation of intercepting goods on their way

to market and buying them before they had been offered in open fair to the general public. The modern equivalent is *to corner* (*which see*).

FORGE. (*Fr.* Contrefaire; *Ger.* Verfaelschen.) Forgery is a very grave offence in the eye of the law. It is defined as, "the fraudulent making or alteration of a writing or seal, to the prejudice of another man's right, or of a stamp to the prejudice of the Revenue." It is necessary, in order to secure a conviction for forgery, to show that the instrument forged so far resembles the true instrument as to be capable of deceiving persons who use ordinary observation. Hence, if a cashier or clerk in a bank passed a cheque with a signature that was to ordinary observation a false one, it would most likely lead to a conviction (by the bank) of gross carelessness on the part of the clerk, rather than to one of forgery against the offender. On the other hand, any material alteration in a document, however slight, is as much a forgery as an entire fabrication; and the fraudulent application of a false signature to a true instrument, or a true signature to a false one, are equally forgeries.

Forgery is one of those offences which increase with the advance of science and education; and hence it has been found necessary to inflict heavier penalties on this offence than our forefathers ever dreamt of. "The punishment of this offence at *common law*, and as a mere misdemeanour, was fine, imprisonment, and pillory"; but when by the Act 11, Geo. IV., it was made "*treason*" to forge the Great Seal, the Privy Seal or any Privy Signet, etc., and when by the same Act it was made "*felony*" to forge stamps, Exchequer bills, Bank of England notes, bills of exchange, promissory notes, deeds, receipts, etc., heavier penalties were inflicted and in many cases the extreme penalty of death. Capital punishment for forgery has since been abolished, but the penalties are still very severe, as they ought to be, for it is not an offence, in its grosser forms, which is committed under the impulse of a momentary temptation, but is usually the result of long premeditation and much misdirected ingenuity.

FORM OF ALLOTMENT. For specimen, see *Appendix*. See also "*Allotment*."

FORM OF APPLICATION. For specimen, see *Appendix*. See also "*Application*."

FOUNDERS' SHARES. (*Fr.* Parts de fondateur; *Ger.* Stam-maktien.) It happens sometimes that when a limited company is formed the promoters, in fixing the capital of the concern, arrange for the allotment to themselves of a special class of shares, called *founders'*, or *management*, shares, which will participate in profits only after the preferred and the ordinary share capital has received a certain stated minimum return; in effect, the promoters say to the public: "See what confidence we have in the undertaking! We are willing to wait

for, and confident that we shall get, a return on our founders' shares, which means that it is doubly certain you will get a return on the preferred and ordinary shares if you take them up!"

The Companies Acts provide that the existence of founders' shares, if any, must be disclosed in the prospectus, and in the London Stock Exchange Daily List an asterisk is placed against the names of those companies which have outstanding any founders' or deferred shares. The reason for these precautions is that from the point of view of the ordinary shareholder, founders' shares become a distinct drawback if a company is at all prosperous, since they claim a substantial part (sometimes as much as 25% or even 50%) of profits after a certain percentage has been distributed on other classes of shares. See "*Shares.*"

FREE. (*Fr.* Franco; *Ger.* Frei.) There are a good many phrases used in the shipping trade which begin with the term *free*, and the following list, though not complete, will serve to show their general nature.

Free Alongside (F.A.S.). Means all expenses paid up to and including placing the goods on the quay ready to be hoisted on board a vessel. A "F.A.S." price, therefore, includes not only cartage to dock or wharf, but also *wharfage* and *portage*.

Free Goods. A term sometimes used by merchants and Customs officials as equivalent to *non-dutiable goods*.

Free of All Average (F.A.A.). A clause sometimes inserted in a marine insurance policy. It means that no claim can be made either for general or particular average (*which see*); in other words, the goods are insured only against *total loss*.

Free of Particular Average (F.P.A.). Another term of marine insurance. Goods insured F.P.A. cannot be the subject of a claim for *particular average*, but only for *general average* or *total loss*.

Free on Board (F.O.B.). A very common expression in commerce. If goods are quoted *f.o.b.*, the understanding is that the *seller* will bear all charges up to and including placing the goods on board a steamer. It is therefore a little more favourable to the buyer than *f.a.s.* (see above).

Free Overside (F.O.). Refers to *imported* goods, and means that all charges will be borne by the seller up to and including hoisting the goods from ship to quay.

FREE PORT. (*Fr.* Port libre; *Ger.* Freihafen.) This term refers to what may best be described as an extension of the principle of the bonded warehouse, and applies to a port or district which is placed outside the ordinary customs frontier. Till 1914 the most notable instance of a free port was the huge "Freihafen" at Hamburg, which was quite outside the ordinary German protective tariff, and much of the prosperity of that great entrepôt may fairly be ascribed to the fact

that the port of Hamburg was virtually a free-trade area. In his *Cours d'Economie Politique*, M. Gide writes in relation to this system: "Colbert, whom protectionists will not challenge, had created as a complement to his celebrated system five free ports—Marseilles, Saint Jean-de-Luz, Bayonne, Lorient and Dunkirk, and never was the French marine more prosperous. It is really incredible that in the present state of distress of the French mercantile marine this remedy has not been tried, particularly as shipbuilding yards might be set up within the free zone, unhandicapped by duties on iron and other building materials. Subsidies for shipbuilding would thus become superfluous."

FREIGHT (*Fr.* Fret; *Ger.* Fracht.) The remuneration received by the owner of a ship for carrying goods thereon. The rate of freight payable is usually stated on the *Bill of Lading* or *Charter Party*. The various shipping companies have their general tariffs of freights chargeable on various commodities, but a shipper having a big lot to send will usually negotiate for a special rate, particularly if he can play off one shipping company against another. See "*Shipping*."

In America, and sometimes in this country, the term freight is applied also to the charge for railway carriage and land carriage generally, and Americans talk of *freight cars* where we would say *trucks*.

The following brief extracts from *The Times* Supplement will indicate that *freights* are a special study to themselves, and contain some common technical terms used in the *freight market*: "The Plate [*i.e.*, the River Plate], however, was very quiet owing to the indifference of shippers for *near positions*, as while a boat of *handy size* was *fixed* for September-October loading at the unchanged rate of 15s., merchants do not see any reason why they should *charter* for August-September at that figure, while July *tonnage* can be had at from 12s. 6d. to 13s. India also *tended against owners* [*i.e.*, shipowners], Bombay having secured a *July boat* at the lower rate of 15s. on *dead weight*. . . . Outward coal chartering was somewhat less in volume, and as supply has for the time being overlapped demand, rates for Mediterranean destinations are tending downward."

FREIGHT FORWARD. (*Fr.* Fret payable par consignataire; *Ger.* Fracht per Nachnahme.) A term equivalent to "carriage forward" in land transit; that is to say, if goods are shipped "*freight forward*" the freight is payable at the place of destination, and the goods will not be *released* until the freight is duly paid.

FREIGHT NOTE. (*Fr.* Note de Fret; *Ger.* Fracht Nota.) A charge-note rendered by a shipping company to a merchant showing amounts due for freight on shipments effected.

FREIGHT RELEASE. (*Fr.* Délivrance contre paiement du fret; *Ger.* Freigabe seitens der Schiffahrtsgesellschaft.) If a *Bill of Lading*

(*which see*) is marked "*freight forward*," the goods will not be *released* until the freight has been paid. When this is done, the shipowners endorse the bill with a stamp to the effect that the freight has been paid and the people in charge of the vessel can surrender the goods to the holder of the bill of lading.

FRUSTRATION CLAUSE. From the early days of marine insurance underwriters accepted the risk of "arrests, restraints and detainments of Kings, Princes and People," always expressly mentioned on bills of lading as events for which shipowners would not be liable. However, the exceptional restrictions imposed by the Allies in the prosecution of their blockade of the Central Powers, restrictions applicable to ships proceeding to neutral countries as well as to ports of the enemy, led to the insertion of a clause in marine policies :

"Warranted free of any claim based upon loss of, or frustration of, the insured voyage, or adventure, caused by arrests, restraints or detainments of Kings, Princes or People."

After the Peace of Versailles (1919) it was suggested that underwriters could afford to delete this "frustration clause," it being argued that the risk had become very small in view of the improbability of a renewal of hostilities. The Committee of Lloyds, however, decided to retain the "frustration clause," and it was argued that probably the most effective weapon of the new League of Nations against a refractory State would consist of economic pressure brought to bear by a diversion of all supplies in course of transit to that State. Thus it would seem that blockade has become a *peace* risk, which might involve underwriters in a *constructive total loss* even before a vessel had left its port of departure.

A careful perusal of the specimen Lloyd's Policy (Appendix) will show the importance attached by underwriters to the "frustration clause."

FUNDING. (*Fr.* Consolidation des dettes; *Ger.* Fundierung.) The process by which floating debt (*which see*) is converted into definitive stock or bonds. Governments, municipalities, and commercial companies have from time to time a sort of financial spring-cleaning, and simplify their finances by having a clear-up of outstanding debit balances, notes, bills, and other *short-dated* obligations, which they transform into one particular form of loan or debenture or new stock. This does not imply that any compulsion is put upon the holders of the bills, notes, etc., to exchange into a more permanent form of security; they can probably do so if they wish, but otherwise they can simply demand payment of their claims at the due date, the Government or company meeting such claims out of the proceeds of the new *funded* debt or stock. A cynic will be tempted to observe that whatever virtues may attach to the process of funding in the shape of simplification, certainty, and often also reduction of interest rate, it is at any rate most improbable that the *total indebtedness* of a Government or

company will be reduced by the operation; on the contrary, the occasion of funding is usually taken advantage of to secure a little margin of cash.

It is *good finance* to carry out *funding* at a time when low interest rates are prevalent, and whilst money rates rule high Governments and companies prefer to get what money they want by the issue of short-term notes, which, consequently, bear on the average higher rates of interest than funded debt.

FUTURES. (*Fr.* *Marché à terme*; *Ger.* *Termingeschaeft*.) *Futures* is the general name given to dealings which take place in goods not yet *ascertained* (to borrow an expression from the Sale of Goods Act). Many of the staple commodities of commerce are subject to transactions of this sort, and as the term *futures* is thought by many *men-in-the-street* to be necessarily a reproach, it is desirable to make it quite clear that a contract in *futures* may be, and often is, the very reverse of speculative. Take, for instance, the case of the Lancashire mill-owner. His business is to spin yarn; his whole energies are devoted to supervising his machinery, perfecting processes of manufacture and ensuring an outlet for his products; he has not the slightest desire to speculate in the raw material, but he has the greatest possible interest in securing *regular supplies* of cotton to work upon; in fact, regularity of supply is even more important than cheapness, and he prefers to ensure a six months' supply at 18d. than buy "*spot*" at 17½d., and risk a shortage or higher prices three months hence. It is, as a matter of fact, possible on the Liverpool Cotton Exchange to fix contracts for delivery as far as twelve months ahead. Of course, business of this kind naturally tends to attract the speculative element, and on the basis of the yarn manufacturers' genuine need of *futures* there arises a superstructure of purely gambling operations. In this country the attempt to differentiate between legitimate *futures* and gambling deals has virtually been abandoned for fear of hampering sound trade, but in the United States the Woodrow Wilson administration gave a logical finish to its anti-trust and anti-everything-except-fair-business propaganda by an heroic attempt to suppress gambling in futures. The Administration derived its support from the Southern cotton growers, who modestly calculated that they were being defrauded by the bold, bad *futurists*—if one may borrow a commercial term from the realm of Art—to the tune of no less than \$100,000,000 annually. Hence the "Lever" Cotton Exchange Bill, which in the first place ordained the establishment of one uniform, official *grading* of cotton throughout the States, all *futures* to be based on such official grading, and proposed a prohibitive tax of \$500 on contracts which would permit the ultimate delivery of low-grade, practically non-"spinnable" cotton. No tax was to be charged on contracts for cotton "*spot*," "*to arrive*" or for "*prompt delivery*."

Big business in *futures* is also done in the markets for wheat and coffee, and an attempt was made in New York to establish a *futures market* in raw sugars.

G

GARBLING. (*Fr.* Triage; *Ger.* Aussuchen.) *Garbling* is the practice adopted by many money-dealers of *picking out* new, full-weight coins from those which pass through their hands for the purpose of exporting them, or melting them down, the lighter coins being put back into circulation by being used for effecting payments at home. In this connection see also "*Gresham's Law.*"

The word *garble* has also a technical meaning in dockland, as applied to the sorting, sifting, or cleansing of spices, drugs, tobacco, etc. Unfortunately, this does not imply that the refuse is thrown away; sweepings, *wormy* nutmegs, etc., can be used without fear of detection in the preparation of the cheaper grades of ground spice, just in the same way that van-loads of *spent* cloves can be, and in fact are, revived with essence and sent on to the market to perform their savoury function a second time!

GARNISHEE. (*Fr.* Tiers saisi; *Ger.* Sequester.) If A owes B money, or holds goods for B's account, and C has obtained judgment against B for non-payment of a debt, or B has become bankrupt, then C, or any recognised creditor of B, can serve A with formal notice not to pay B, or deliver goods or securities to him pending a settlement of the judgment debt or bankruptcy.

In such case A is referred to as a *garnishee*, and the notice served on him is called a *garnishee order*, to disobey which would render him liable to make good any money or securities handed over by him in defiance of the order.

Banks are served with garnishee orders in respect of stocks or moneys they hold for a bankrupt customer, and such orders can also be served on limited companies if the debtor holds shares or debentures therein.

If, *before* being served with the garnishee order, A had given B a cheque, he (A) is under no obligation to *stop* such cheque.

GAZETTE. (*Fr.* Gazette officielle; *Ger.* Offizielle Zeitung.) The *London Gazette* is an official publication which records all Royal, Government, Army and Navy appointments, promotions, retirements, the Bank of England Return, Currency Notes Return, etc., and is of interest to the world of commerce in that it contains particulars of all pending bankruptcy proceedings, notification of dissolution of partnerships, and so on. The *Gazette* resembles the "Births, Marriages, and

Deaths" column of an ordinary newspaper in that it contains information which it is necessary for certain people to know, but which in ninety-nine instances out of a hundred those people know in any case.

GENERAL AVERAGE. (*Fr.* Avarie Générale; *Ger.* Allgemeine Havarie.) See "*Average*."

GILT-EDGED STOCKS. (*Fr.* Fonds gouvernementaux; *Ger.* Erstklassige Werte.) An old-standing market expression for first-class British and Colonial Government securities.

GIVE-ON. Equivalent to "*Carry-Over*" (*which see*). "*Givers*" or "*Givers-on*" are people who want to arrange to carry stocks.

GOLD BONDS. See under "*Bonds*."

GOLD RESERVE. (*Fr.* Réserve d'or; *Ger.* Goldverrat.) Since Bagehot's *Lombard Street* first impressed the popular imagination with the disparity between the volume of credit operations and the actual stock of gold on which all business transactions ultimately depend, the need for increasing the national gold reserve has become a commonplace, but practically nothing has been done to improve matters. Now, as when Bagehot wrote, the Bank of England holds virtually the only gold reserve we have, excepting about £30,000,000 held by the Treasury against Currency Notes, and meanwhile the superstructure of credit and paper money has increased enormously.

The following resolutions of an influential committee of the London Chamber of Commerce which sat in 1909 serve as an authoritative summary of the pre-war position and the probable directions of reform as they then presented themselves:

- i. That the Committee recognises the desirability of strengthening the gold reserves of this country.
- ii. That the issues of the Bank of England against Government Debt and Securities, commonly called the Fiduiciary Issue, form an undue proportion of the whole, and should be reduced.
- iii. That a reasonable reserve in gold should be held against the deposits in the Trustee and Post Office Savings Banks.
- iv. That the Bullion Department of the Bank of England affords a means by its enlargement for the aggregation of gold reserves held by others than the Government of India, namely:
 - (a) The Banks of the United Kingdom, including the Bank of England, in respect of such gold held against their liabilities in excess of till money as any of them may elect to deposit in the Bullion Department.
 - (b) Scotch and Irish Banks in respect of all or any portion of the extra gold held by them against excess issues under the Act of 1845.

- (c) The National Debt Commissioners and the Postmaster-General in respect of the gold which the Committee recommend should be held against the liabilities of Trustee Savings Banks and Post Office Savings Banks respectively.
- v. * That all persons or companies carrying on the business of banking within the United Kingdom should once in every calendar month, in case their liabilities on current and deposit accounts exceed in all the sum of ten million pounds sterling, and once in every three months in all other cases, make a statement of their position showing the average amounts of liabilities and assets on the basis of weekly balance sheets for the preceding month, or three preceding months, respectively, stating the following amounts separately :
- (a) Liabilities on current, deposit, and other accounts ;
 - (b) Liabilities on notes in circulation ;
 - (c) Liabilities on bills accepted ;
 - (d) Gold and other coin and gold bullion held ;
 - (e) Bank of England notes held, and balance due by the Bank of England ;
 - (f) Balance due by clearing agents ;
- and that a copy of the statement should be put up in a conspicuous place in every office or place where the business of the persons or company is carried on.
- vi. That it is desirable that the Bank of England should make an annual return showing the aggregate bankers' balances for each week of the preceding year.

So far no legislation has ensued, but meanwhile the wider question of *international gold reserves* has been widely canvassed, and the moral obligation which the big bankers of one country have always tacitly recognised as devolving upon them to help their confrères abroad in times of monetary stress promises sooner or later to expand into a definite scheme of international financial solidarity. In his report to the Sixth International Congress of Chambers of Commerce (1914), Mr. Faithfull Begg, as President of the London Chamber of Commerce, submitted a "plan for the mitigation of panics and their termination." According to this illuminating scheme, London, Paris, Berlin, New York, St. Petersburg and Vienna would each keep £3,000,000 in gold to be held at the disposal of a committee composed of the Governor of the Bank of England, the heads of the state banks of the Continental countries named, and the Governor of the newly-constituted United States Federal Reserve Board. This would have secured a fund of £18,000,000, ready to relieve serious financial distress in any of the centres concerned. Such an international, financial fire-extinguisher

* In 1919 some of these recommendations were carried into effect in a new form of monthly returns by the banks, based on *average* weekly figures and thereby eliminating the practice of "*window-dressing*."

would certainly have been most efficacious in the case of the United States banking crisis of 1907; but what of a persistent monetary stringency such as developed in Germany and Austria during the Balkan War of 1912-13? Was it likely that, at that critical juncture, Great Britain and France would have sacrificed their quota of £6,000,000 to supplement the hoarded resources of their neighbours?

In July, 1914, the whole problem was summed up by the Governor of the Union of London and Smiths Bank, Ltd., in the following sentences:

"He desired to call attention to the continued accumulation of gold in the great European State Banks. During the last 12 months, the Imperial Bank of Germany had added 11 millions to her holding, raising it from 54 to 65 millions, an increase in two years of 20 millions; the Bank of France held 162 millions, an increase in *twelve months* of 30 millions; Russia, 159 millions—18 millions more than last year. In addition, the Imperial Bank of Germany had called on the other banks of that country to increase their holding of cash in proportion to their liabilities. These additions to the various gold reserves were the result, not of natural commercial or monetary conditions, but of a deliberate policy, and certainly afforded considerably increased strength in the event of grave political or financial difficulties arising. In the United States new banking legislation had taken place, and some of the banks were preparing to enter the field of international banking competition. . . .

"Was it not time that at home also some steps should at last be taken to strengthen our gold reserves in order to avert the violent fluctuations in the value of money and the strain to which our position as the freest market for gold exposed us? . . . The stock of gold in the Bank of England, which at the end of the present half-year was about 40 millions, was 18 years ago 45 millions, and in February 1896 49 millions—a figure never since approached, but the volume of trade, the turnover in the Clearing House, the deposits in the banks had enormously increased during that period. The joint stock banks had unquestionably in the meantime considerably added to their own reserves. Now the banks, independent of the Bank of England, held deposits exceeding 1,000 millions, and the currency of the country was practically supplied by this system, instead of, as the Bank Act intended, by the Bank of England Note, secured to a great extent by gold. . . . If the banks agreed to hold a certain proportion of their liabilities in gold, then they might fairly claim from the state, in respect to its Savings Bank deposits and other cash liabilities, that the debt to the Bank of England should be repaid and the fiduciary issue reduced to that extent. . . ."

Not long after these words were uttered the war broke out, and gold, though still the ultimate basis of solvency in each belligerent state, completely disappeared from circulation. The South African

mines were compelled to send their output to the Bank of England at the old rate of £3 17s. 9d. per standard ounce; on the removal of this regulation (July 1919) a shipment of 50,000 ounces from the mines to the United States realised (at the ruling exchange between dollars and sterling) about £4 5s. 6d. per standard ounce.

After the Treaty of Versailles (1919) the following estimates were made of gold reserve and paper currency in the countries mentioned, viz. :

	Gold Coin and Bullion	Paper Currency
United States	£600,000,000	£500,000,000
Russia	£350,000,000 (?)	£20,000,000,000 (?)
France	£220,000,000	£1,400,000,000
Japan	£140,000,000	£175,000,000
Great Britain	£120,000,000	£430,000,000
Spain	£90,000,000	£150,000,000
Germany	£55,000,000	£1,500,000,000
Holland	£55,000,000	£150,000,000
Italy	£35,000,000	£375,000,000
Switzerland	£20,000,000	£35,000,000

The world's total stock of gold (not only coin and bullion, but jewellery and plate, etc.), is estimated at £4,000,000,000, and the world's annual production is something less than £100,000,000.

GOLD STANDARD. See "*Bimetallism*" and "*Money*."

GOOD DELIVERY. (*Fr.* Bonne livraison; *Ger.* Gute Lieferung.) An expression used in the Stock Exchange, and applied to bonds and stock and share certificates, which a buyer is bound to accept from a seller. It is primarily the duty of the seller to see that the securities he tenders are sound and perfect, not only physically, but also legally and in form. It is also the duty of the broker to examine all the securities passing through his hands on clients' account. In fact, in addition to giving his advice, acting for his client in making purchases or sales, and, incidentally, taking on his own shoulders the risk of such client making default (see "*Stock Exchange*"), a broker has, for his modest commission, to undertake what is really an expert examination of the various certificates he delivers and receives for clients. Moreover, the requirements of some foreign states and foreign stock exchanges are so capricious that none but those professionally occupied in handling securities can possibly have a perfect acquaintance with them. Sometimes only certain numbers of a particular issue are *good delivery*, sometimes the absence of certain coupons will make certificates a *bad delivery*, or a bond or share warrant may have been notified months previously as stolen, lost, or mislaid; again, the buying broker may be entitled to refuse delivery on account of *bad names* (see under "*Bearer*")

or on account of mutilation, absence of stamp, etc., etc. It is therefore difficult to see how dealings in securities could be carried on at all without the professional intermediary. Since, however, a broker's responsibility ceases after three days from the date of delivery, it is important that every person who keeps securities should examine them for himself, so that if any mistake or oversight on the part of the broker is detected, he may be at once informed of it; and the following points at least may be verified by the most inexperienced:

i. Every bond, share certificate, or other security should bear the English Government stamp, indicating that the duty imposed on it by the Inland Revenue has been paid; otherwise such securities are not negotiable.

ii. The *number* of the bond, share certificate, etc., should be perfect and neither mutilated nor defaced, and the same number should appear on *every coupon*.

iii. The *nominal value* of each certificate should be printed in figures or letters, or both, and should be found uninjured. This applies also to *every coupon*, except, of course, that coupons attached to ordinary share certificates cannot state the amount payable thereon, as the rate is only fixed later.

iv. The *date* on which coupons are payable should be marked on each coupon, and free from defacement.

These are details within the comprehension of everyone who can read, and carelessness on the part of an investor in the examination of them might entail loss, or at least considerable trouble, should any defect be subsequently discovered. Naturally, a banker is expected to know what securities are, and what are not, good delivery in the stock markets.

GOODS AND CHATTELS. (*Fr.* Biens Meubles; *Ger.* Bewegliches Eigentum.) A corrupted translation of the old law phrase, "*Bona et Catalla*," the latter term being a contraction of *Capitalia*, referring to kine, horses, sheep, etc., which were reckoned by the head, or *caput*.

In English Law, "goods and chattels" signifies all kinds of personal or movable property as distinguished from *real property*, as lands, houses, shops, farm buildings, etc. Blackstone defines *chattels* as comprising "all sorts of things movable which may attend a person wherever he goes." Hence the artifice of building a conservatory or a shoemaker's shop "on wheels"; such a structure may be built and taken away by a tenant, but if the same structure were built on timbers fixed in the ground (*i.e.*, *groundfast*), it could not be removed without the landlord's consent. Under the phrase "goods and chattels" are included rights of action, bills, debts, bank-notes, copyrights, share certificates, bonds, and, in short, all material or *immaterial* things which are not attached to the soil.

GOODWILL. (*Fr.* Clientèle; *Ger.* Kundschaft.) The established

reputation of a firm, its existing circle of customers, the credit it enjoys on the part of supplying firms, and, in short, all the advantages enjoyed by a long-established and respected concern over a new business, are included in the term *goodwill*. A well-established business offers an expectation of profits to anyone entering upon it, and the transfer of such expectation is known as "selling the goodwill" of the business. This is a transaction fully recognised in English Law, and, in itself, a perfectly legitimate and equitable practice.

However, the era of limited liability companies has seen the introduction of many abuses in connection with *goodwill*, and this item has often been entered in balance sheets at an absurdly high figure to conceal from the unwary that a company formed to take over a certain business was, in reality, seriously over-capitalised. Undoubtedly a well-advertised, old-established concern with a big turnover is justified in putting its goodwill at thousands, or even hundreds of thousands of pounds, but when a company is well managed on its financial side it will be found that every possible opportunity is taken to *write down goodwill*, even to vanishing point, so that, paradoxical as it may sound, the more prosperous a business becomes the smaller and smaller may be the valuation of its goodwill. The wisdom of this course is evident when it is remembered that if for any reason a business is overtaken by financial difficulties, there is an immediate tendency of the goodwill to shrink to nothing.

In the case of the transformation of an established concern into a private limited company there is, in fact, an inducement to suppress the item of goodwill from the outset, for the simple reason that the value shown for goodwill, being an asset for the new company, is liable to *ad valorem* stamp duty like any other asset. This being the case, it may well be asked, "Why do the partners of a firm which is turned into a private company incur stamp duty on an item for goodwill which cannot, obviously, affect the division of the profits, assuming no outsider subscribe capital?" The answer to this question is forcibly put in Gore-Browne's *Handbook on Company Law*: "This course" (*i.e.*, the suppression of goodwill) "may result in the capital appearing to be too small for the business carried on—a matter which may affect the credit of the company. For instance, a firm doing business yielding profits of £5,000 a year on premises held at a rack rent may probably have stock-in-trade only to the amount of £5,000 or £10,000, and then, if the book debts are not assigned, and no value is put on the goodwill, the partners would sell the concern to the company for only this £5,000 or £10,000, a sum which might give the business the appearance of not being very substantial."

GRADING. (*Fr.* Gradation; *Ger.* Einteilung.) One characteristic sign of the high pitch of commercial development attained by the leading nations is the extent to which all the staple commodities of

trade have been *graded*, or divided up in elaborate series of different qualities, the names for which are recognised throughout the world as representing a certain definite *standard*. Wheat, cotton, metals, shellac, and numerous other raw materials are subdivided into many grades, the names of which would sound quite strange to the person who only comes into contact with retail trade. The following list of grades of coal quoted regularly on the Cardiff market will serve as an excellent illustration of what is implied by *grading* :

Best Cardiff Steam.
 Superior Seconds.
 Second Cardiff large steam.
 Ordinary large steam.
 Drys—best.
 Drys—ordinary.
 Best Monmouthshire Black Veins.
 Western Valleys.
 Eastern Valleys—best classes.
 Eastern Valleys—other sorts.
 Best House Coals.
 Other qualities.
 No. 3 Rhondda large.
 Through and through.
 No. 3 smalls.
 No. 2 Rhondda large.
 Through and through.
 No. 2 smalls.
 Best washed nuts.
 Second washed nuts.
 Best washed peas.
 Second washed peas.
 Washed duff.
 Best small steams.
 Second small steams.
 Other smalls, including drys.

See also “*Elevator*.”

GRAMME. The unit of weight in the *Metric System*. (See *Appendix*.) It is defined as the weight of one cubic centimetre of distilled water at its maximum density, that is to say, at the temperature of 4° Centigrade.

GRESHAM'S LAW. In early times the maintenance of a proper coinage was a source of considerable trouble to governments, and time after time it happened in the Middle Ages that a country which had gone to the trouble of reforming its coinage found before long that all the good, honest, new coins vanished from circulation, were shipped abroad, or somehow did anything but what they were intended to do,

namely, pass current throughout the land. It was Sir Thomas Gresham, the City magnate of Elizabethan times, who first propounded the reason for this phenomenon, and ever since the name *Gresham's Law* has been given to the statement of the general principle that "when two sorts of coins are current in the same nation, of like value by denomination, but not intrinsically, that which has the least value will be current, and the other as much as possible hoarded or exported." More baldly expressed, the *law* is sometimes put thus: "Bad money drives out good money, but good money cannot drive out bad money." A more modern and more scientific version than either of the foregoing is that of Professor Nicholson, viz.: "There is an alternative use for good money (or its material) for melting or export, and if it is worth more for other uses, it will not be paid away as coin." This *law* is the stumbling-block of the Bimetallists. See "*Bimetallism*," and also "*Garbling*."

GROSS. (Fr. Brut; Ger. Brutto.) The whole, as distinguished from a part; a total before any allowances or deductions are made, e.g.:

Gross Price is the price prior to any deductions by way of discount, commission, etc.; in other words, the distinction lies between *gross price* and *net price*, the latter being the price actually payable by the buyer. A similar distinction between *gross* and *net* occurs in the case of assessments of income tax, rateable values, etc.

Gross Weight. The weight of a package containing goods is known as the *gross weight*; the weight of the package itself is called the *tare* (*which see*), and the difference between the gross weight and tare represents the *net weight* of the goods. All imported goods are weighed on arrival at dock or wharf, the weights being recorded on *weight notes*, and often later incorporated in dock warrants or wharf receipts. It needs but a very elementary acquaintance with the handling of big shipments to see that it would be a physical impossibility to turn out the contents of each package and determine the actual weight of such package without its contents. Hence the *tare*, which is always shown on dock warrants, is really only an approximation, obtained either by weighing just a few specimen packages, or by a previous knowledge of the exact kind of package employed. For example, the tare allowed on sugar sacks (known always as *bags*) is usually 3 lb.

Dock and wharf authorities make a charge for weighing, and so it happens that goods are not weighed every time they change hands; and as many articles are apt to lose weight whilst standing in warehouse by evaporation, drainage, etc., the custom has arisen of making further allowances in addition to the *tare*, or weight of the package. Hence the *draft*, usually of 1 lb. per sack, allowed on sugar, and similar allowances, known at other times by the name of *tret*, etc.

Hence it must be noticed that for *invoice purposes*, the net weight is not simply the gross weight less tare, but less draft, tret, or any other

customary trade allowance in respect of loss in weight due to handling or storage of goods.

GUARANTEE. (*Fr.* Garantie; *Ger.* Buergschaft.) If a third party intervenes in an agreement between two persons, in the capacity of surety for the fulfilment of certain obligations, his intervention is said to be a *guarantee*. A *guarantee* is, in effect, a contract or engagement which binds the person making it, the *guarantor*, to undertake certain duties or payments in the event of the default of one party to the principal contract. To be legally binding on the guarantor, a guarantee must be in writing, and bear a 6d. agreement stamp.

The question of guarantees is one of great importance in the banking world, where it is a common thing for one person to be put forward as surety for a customer's account, and there is a big distinction between accepting documents or stocks from a customer as security for an overdraft or loan and accepting the guarantee of a third party. A customer wishing to take a loan of £1,000 for three months might offer to deposit as security thereagainst Government Bonds to the value of, say, £1,500; he would simply hand them over to his bank, accompanied by a so-called "*loan form*" bearing his signature; he would have no deposit receipt handed to him, nor would he receive any acknowledgment or written agreement. But in the case of a third party coming forward as guarantee for the borrower, more care is requisite in drawing up the contract, as it would certainly be more strictly interpreted than one given by the customer himself; and as the law in relation to this subject is somewhat complicated, it is so much the more necessary that third parties when acting as guarantees should carefully scrutinise the agreements to which they put their signatures.

A guarantee may be given by more than one person, in which case it is essential to make it absolutely clear whether the guarantors are *jointly*, or *jointly and severally* liable, or *severally*. If the liability under the guarantee is *joint*, all the guarantors must be sued together; if *several*, any one—preferably, of course, the most substantial—can be proceeded against; if *joint and several*, the banker may at his own discretion either proceed against all the guarantors in a body, or against any one singly.

The term *guarantee* is frequently used by tradesmen as synonymous with *warranty*, that is to say, as meaning an undertaking on the part of a seller of goods to make reparation if the articles do not give satisfaction. See also "*Conditions and Warranties*" and "*Fidelity Guarantee*."

GUARANTEE STOCKS or BONDS. (*Fr.* Actions ou obligations garanties; *Ger.* Garantierte Aktien oder Obligationen.) Guarantee (or *guaranteed*) stocks or bonds are such as, in addition to the resources of the concern issuing them, have behind them the guarantee of some

larger company, or some municipality, province, or state government. It is important to ascertain whether the guarantee covers only interest payments on preference shares or bonds, or whether it is also a *guarantee as to principal*, that is to say, a guarantee for eventual refund of the principal invested, as well as for due payment of interest.

GUINEA. Formerly an actual coin in circulation in this country, so called because made of gold brought from Guinea. By a proclamation issued December 22nd, 1717, the guinea was *made current* at 21s. Its true value, as derived from the market values of gold and silver at that time was 20s. 8d. At present there is no English coin called a guinea, but the fashion still prevails of quoting certain prices (pianos, for instance) in guineas, and donations and subscriptions to charitable institutions are thought to have a more aristocratic ring if stated as so many guineas. The lordly *guinea* of England is as tenacious of life as the humble "*sou*" in France, although it owes its survival to very different forces.

H

HALF NOTES. (*Fr.* Billets coupés en deux; *Ger.* Durchgeschnittene Noten.) It was formerly quite a common custom amongst men of business to cut a bank-note, bond, or other negotiable instrument in two before sending it by post. This was done with a view to safety, for it is a maxim in law that the "property in an instrument remains in the owner until he has *entirely* parted with it; if he cuts it in two and sends one part by post, he does not lose the property in it till he has sent the other part, and he may reclaim the first part sent."—(*McLeod.*)

HAMMERED. (*Fr.* Exécuté; *Ger.* Bekanntmachung eines Falissements an der Londoner Boerse.) If a member of the London Stock Exchange defaults, the fact is immediately announced publicly in the Exchange, and the member is then said to be *hammered*. See "*Stock Exchange*" and "*Default*."

HARD CASH. (*Fr.* Espèces; *Ger.* Bar-Geld.) A term used, somewhat vaguely, to distinguish *metallic* money from the different forms of paper money. Nevertheless, the same phrase is often popularly used to mean bank-notes, cheques, and other readily negotiable documents of undoubted soundness, in contradistinction to mere book debts or commercial rights. See also "*Cash*."

HARD DOLLARS. (*Fr.* Dollars en espèces; *Ger.* Dollar-muenzen.) The literal English rendering of the Spanish *pesos duros* (*fortes* or *fuertes*), a term conventionally used in some South American States

to signify "metallic currency," as distinguished from "paper currency," which was, unfortunately, sometimes all too prevalent.

HAULAGE. (*Fr.* Halage; *Ger.* Transport.) Technically, the cost of conveying goods by rail is composed of three elements: *loading*, *haulage*, and *discharging*.

HOLDER. (*Fr.* Porteur; *Ger.* Inhaber.) The holder of a bill or any other negotiable instrument is the person who has lawful possession of it for the time being; by having possession of it is not meant simply having in one's own possession, or in one's own strong box, but having the right to claim it wherever it may have been placed for the sake of safety, or for any other purpose whatever. For example, a bill may be deposited with a banker for safety, or as a security against a loan. In neither of these cases does the holder lose his hold upon it; but if he gets his banker to discount it, he loses all claim upon it, for he has virtually sold it, and the banker has paid him for it by a credit in his books.

The technical legal term, "*bona-fide* holder for value," means a person who has obtained possession of a document in the ordinary course of business, has given what is known as *valuable consideration* for it, and has all through acted in perfect good faith, without any idea that the document was in any way irregular or that the previous holder had no valid title thereto.

HOLIDAYS. See *Appendix*.

For the effect of holidays on the due date of bills of exchange, see "*Bill of Exchange*."

HONOUR, PAYMENT FOR. (*Fr.* Paiement par intervention; *Ger.* Ehrenzahlung.) "To pay a bill for honour" means to pay it at maturity with a view to saving the honour (*i.e.*, the business reputation) of someone, not necessarily the drawee, whose interest it is that the bill should be duly met. It is always detrimental to the reputation of a merchant or trader to have his bills and drafts dishonoured, and yet it will sometimes happen that when a bill is presented for payment the drawee may be unable to meet it. Sometimes, too, a bill contains irregularities with respect to dates or amounts, and from any of these causes it might be dishonoured unless some business friend or correspondent could be at once applied to on the spot who would undertake the responsibility of paying the bill. See "*Case of Need*." See also "*Acceptance for Honour*," under "*Acceptance*."

HYPOTHECATION. (*Fr.* Contrat hypothécaire; *Ger.* Verpfändung.) *Hypothecation* is the giving over the *legal property* in a thing, by way of pledge or mortgage (see also "*Mortgage*"). When property of any kind is *hypothecated* as security for a debt, the property remains in the hands of the debtor or borrower, and is thus distinguished

from a *pawn*, where the goods themselves are given into the custody of the creditor or lender. Thus, when a foreign state pledges certain revenues, as Customs, Coffee Dues, Salt Gabelle, or the receipts of certain monopolies, as security for a public loan, such revenues are said to be hypothecated, that is to say, the right to them is made over to the public creditor, but they are not, and cannot be, actually handed over, as they are so far non-existent. But the case is different when movable things are placed in the hands of a lender or creditor as security for a debt. Bills, deeds, bonds, plate and jewellery are often thus deposited with bankers or with pawnbrokers, and such articles are then said to be placed *in pawn*, and are thus distinguished from property or rights which are simply hypothecated.

I

INCONVERTIBLE. (*Fr.* Inconvertible ; *Ger.* Nicht konvertierbar.) Paper money is said to be *inconvertible* when it cannot be exchanged at the option of the holder for gold (or silver, as the case may be) to its full nominal value. By making paper money inconvertible, it usually falls in value immediately, and this fall is expressed by saying that *gold is at a premium*, whereas it would be more correct to say that *paper money is at a discount*. Where paper money is always convertible into gold, there can never be any great difference in value between the two.

It should be carefully noticed, however, that there is a distinction between an *inconvertible* and a *depreciated* note issue. Theoretically, it is quite possible to regulate an inconvertible note issue according to the requirements of a country's circulation, as to prevent depreciation. In practice, however, an inconvertible issue soon becomes depreciated, and the principal reason for this is that foreign creditors will make a point of insisting on the maintenance of a gold basis for their operations.

INDENT. (*Fr.* Commande ; *Ger.* Auftrag.) Orders, contracts, sent from distant countries (especially India, China, and Australia) under certain conditions as to price, etc. These orders were formerly written on forms torn in a zigzag, *indented* line from a counter-foil, so as to afford a means of detecting forgery or fraud. Hence the name, which is derived from the same origin as the term "*Indentures*." Owing to the spread of telegraphic communication, and the rapid diffusion of price lists, catalogues, etc., indents now differ but little from ordinary orders for goods.

INDENTURES. (*Fr.* Contrat ; *Ger.* Kontrakt.) An indenture is a legal deed, written on paper or parchment, in which deed two

or more parties are interested, so as to render it necessary for each to retain a copy. Hence the term is mostly used in the plural. The name is derived from the fact that these deeds were originally written on a single sheet, the copies being afterwards separated or cut in a zigzag line (*instar dentium*, that is, like the teeth of a saw), so that when brought together, the genuineness of each document might be tested by comparing the indentations of one with those from which it was detached. This practice, formerly much in vogue among merchants who gave receipts or vouchers detached from a margin or counterfoil, is now, to a great extent, discontinued. The more modern practice is to exchange agreements, each copy bearing the signatures of each party interested.

INDIA COUNCIL BILLS (or DRAFTS). The India Council being, as it were, the London Office of the Government of India, has large sums due to it in Indian currency and converts these sums into sterling by selling drafts on the chief commercial centres in India. These drafts are purchased by firms who have to make remittances to India. Thus the revenue of the India Council ultimately reaches this country in the form of commodities.

India Council Drafts are sold *by tender*, and the following typical weekly announcement illustrates the manner and extent of the operation :

INDIA COUNCIL DRAFTS.

Tenders were received for 100 lakhs and the applications amounted to Rs. 1,85,90,000. Allotted :—In deferred telegraphic transfers on Calcutta, Rs. 44,44,000 ; on Bombay, Rs. 46,96,000 ; and on Madras, Rs. 8,60,000 ; all at 1s. 11·9375d. Tenders for bills and deferred transfers at 1s. 11½d. will receive about 53%. Next week 100 lakhs will again be offered.

In August 1919 the India Office made a new departure by offering in New York (through the Bank of Montreal) telegraphic transfer on India. 30 lakhs were offered for competitive tender, the *minimum* rate being fixed at 39½ cents per rupee.

INFLATION. (*Fr.* Gonflement ; *Ger.* Aufbläehung.) The term *inflation* is used in Economics as a curtailed form for “inflation of credit.” While Credit (*which see*), when kept within proper limits, is of the utmost importance to the easy working of our mercantile system, there is a limit beyond which it cannot be increased without danger to all parties concerned. It is difficult to say when this precise limit has been reached. As a general rule it may be said that so long as the average prices of most kinds of commodities do not rise to any important extent, and so long as the various instruments of credit are readily convertible or realisable, no great danger is to be feared ;

but when the prices of commodities rise unduly, when high wages are demanded and freely paid, when bankers find it expedient to contract their issues whilst the demand on them for "credit" becomes more and more pressing, it is then time for merchants to look well after their balances, and to examine their bill books, for these are undoubted signs of a coming storm, due to inflation of credit. See also "*Crisis.*"

INGOT. (*Fr.* Lingot; *Ger.* Barren.) *Ingot* was the name formerly applied to the mould or matrix into which molten metal was poured for the purpose of forming it into bars. It is now applied exclusively to the bars of metal themselves which have been cast in a mould. Conventionally the term is used only of bars of gold and silver. Copper, tin, lead, etc., in the same form are simply called bars.

INSCRIBED STOCK. (*Fr.* Actions inscrites; *Ger.* Eingeschriebene Anteile.) *Inscribed stock* is really a particular form of *Registered Stock* (which see), but differs therefrom in that no actual certificates are issued and also that whereas ordinary registered stock is transferable by deed (*i.e.*, transfer), inscribed stock is transferable only in *books of stock*.

As a rule, only certain Government loans (*e.g.*, War Loan, Consols) or the stock of large local government areas or municipalities (*e.g.*, Rand Water Board stock) are issued in the form of inscribed stock. The term is, however, not strictly adhered to, and the title of inscribed stock is given to certain stocks *domiciled* at the Bank of Montreal, the Standard Bank of South Africa, and the Office of the Agent-General for South Australia, etc., whereas in point of fact those stocks are transferable by deed.

Any amount of stock may be inscribed in one or more names, not exceeding four.

Transfers of inscribed stock can only be effected by the stockholders personally or by their attorney, in the books of the bank during ordinary business hours; in the case of stock inscribed at the Bank of England (*e.g.*, War Loan), transfers will be recorded without charge on any ordinary week-day, but on Saturdays only on payment of a fee of 2s. 6d.

Dividends on inscribed stock are, in the absence of prior written instructions to the contrary, sent by post to sole stockholders, and to the first-named stockholder where the stock is entered in two or more joint names.

INSTALMENT. (*Fr.* Acompte; *Ger.* Einzahlung.) A term now confined to payments which represent only a portion of the total amount due. Thus a loan repayable in portions is said to be repayable by instalments. Many issues of shares and debentures are also payable by instalments, and in the case of shares an instalment

is sometimes hardly distinguishable from a *call* (*which see*), which may, in fact, be defined as an instalment payable when demanded by the company. Yankees insist on spelling instalment with two "t's."

For rules as to delivery of goods by instalments, see "*Performance*."

INSURANCE. (*Fr.* Assurance; *Ger.* Versicherung, Assekuranz.) Insurance plays so important a part in modern commercial affairs that it is a little difficult to deal with the subject with the necessary brevity. Perhaps the two most essential branches of insurance for the merchant are *Fire* and *Marine*, although other departments, such as *Workmen's Compensation*, *Fidelity* guarantees, and so on, will constantly come to his notice.

There are many wealthy and absolutely reliable insurance companies besides the historic "*Lloyd's*," and although some are better known for certain special classes of risk, they all engage nowadays in practically every branch of insurance work.

Fire Insurance. Little need be said about the *Fire* branch of insurance, as every merchant now insures against fire risks as a matter of course. Premium totals rise steadily, but profits tend to diminish; this seems to be partly due to the energy displayed by the fire offices themselves in teaching people how to minimise risks, as when the fire office has told a man how he can reduce the risk of fire he promptly turns rounds and says: "Very well, now the risk is less, you must, of course, reduce the premium!"

Marine Insurance refers equally to the insurance of goods despatched by water and the vessels themselves. Some of the risks insured against are referred to under "*Average*." Space does not permit of a full treatment of the many technical terms and questions arising in connection with marine insurance, but a specimen marine policy is given in the *Appendix*. See also "*Lloyd's Average Bond*" and "*Frustration Clause*."

Insurable Interest. A little consideration will show that persons might insure against contingencies in which they were in no way financially interested, and that insurance might degenerate into a system of betting, or *wager policies*. To prevent this, the law prescribes that in order to substantiate his claim against an insurance company a person must have what is called an *insurable interest* in the person or thing insured, or the risk insured against. Thus, for an ordinary person to take out a policy of insurance on the life of the King of Abyssinia would be a mere gambling transaction, but it might very well happen that a merchant with goods and money at stake in that country would wish to cover himself from the danger of lawlessness and civil war by insuring the King of Abyssinia; such merchant would be held to have an *insurable interest* in the potentate named.

It is held that, whereas a wife has an insurable interest in the life of her husband, the husband has no insurable interest in the life of his wife. Similarly, a parent has no insurable interest in the life of any of his children, a fact which need only be mentioned to show that the insurance companies do not confine themselves to the issue of policies to people who have, legally, an insurable interest. The motto of the insurance agent is, "*Get business*," not "find out whether the *proposer* has an insurable interest," but, of course, once having accepted premiums, no respectable insurance office will refuse to pay on the ground that there was no "*insurable interest*." A creditor may insure his debtor's life for the amount of the debt, and if he can induce the debtor to pay the premiums, so much the better.

Insurance Broker. Even in the world of insurance the broker (see "*Broker*") has proved the usefulness of an intermediary, making things simple for the person wishing to insure and getting business for the companies or individual *underwriters*.

Insurance Policy. The formal agreement between the insurer and the insured is called a Policy (for specimen, see *Appendix*), and pending its preparation the insured is given a "*Cover Note*" (*which see*).

Insurance Premium. The payment made by the insured to the insurer is called a *premium*; the ordinary person is apt to think of a premium as necessarily an annual payment, but it is quite commonly a lump sum for a single risk, or a covering amount for an indeterminate risk. See "*Block Policy*."

Underwriter. Technically, all persons engaged in taking marine insurance risks are underwriters, but the term is more commonly applied to the members of Lloyd's, the home *par excellence* of marine insurance. The origin of the expression is to be found in the fact that all big risks are spread over several firms or individuals, each underwriting (or subscribing) a certain portion of the whole risk, and becoming thereby liable to that extent. The London underwriters have a great reputation for prompt settlement of claims, and often pay out before formal proof of loss can be put in. Thus, the insurances on the ill-fated *Empress of Ireland*, lost in the St. Lawrence, were met at Lloyd's before the captain's *protest* (*i.e.*, his official sworn statement) had reached the country.

Re-insurance. If an underwriter thinks he has too big a risk on a certain vessel, he *re-insures* part of it with another underwriter, possibly at the same rate, possibly at a slightly higher rate. Again, when a vessel is reported to be in difficulties, or aground, it is often at first very difficult to determine whether the risk is large or small, and the more speculative underwriters will undertake to re-insure the risks on that particular vessel and its cargo at rates which may range anywhere between 5% and 90%. The reader will readily understand what is

meant by re-insurance from the following newspaper announcement:

RE-INSURANCE RATES.

Vessel.	Voyage and Casualty.	Guineas per cent.
<i>Leconfield</i>	Ashore at St. Johns, N.B... ..	50
<i>Tore Jarl</i>	Lately ashore at Stavanger; against C.T.L. [Constructive Total Loss] risk..	30
<i>Aberlour</i>	Lately ashore at Azalea Reef; against C.T.L. risk	50
<i>California</i>	Ashore off Tory Island.	50
<i>Gallia</i>	Overdue at Bombay	65

Incidence of Insurance. When a merchant or business man incurs insurance charges in the course of his ordinary business operations, he naturally reimburses himself for such charges when calculating the price of his goods, and so the cost of insurance is spread from importer to wholesaler, from wholesaler to retailer, and so to the community in general. In fact, a very little consideration will show that the community as a whole pays for all business risks as covered by insurance, and since premiums are scientifically determined by the actuary from past losses, it follows that from the national standpoint the whole insurance business is nothing but a highly organised machine for distributing individual business misfortunes over the population at large. In this sense every individual has a direct interest in the reduction of commercial risks. See also "*Actuary.*"

INTEREST. (*Fr.* Intérêt; *Ger.* Zinsen.) Money paid for the use of money. Interest is usually expressed as so much *per cent. per annum*, but may, of course, be payable at shorter or longer intervals, according to circumstances. If interest on a certain sum is paid half-yearly, or quarterly, the profit to the lender is somewhat increased. Thus, if £100 be lent at 5%, payable quarterly, the first quarterly payment of £1 5s. may be in turn put out at interest for nine months, the second £1 5s. for six months, and the third for three months; the interest thus coming in must be added to the original 5% in order to determine the true return to the lender.

Bills, balances in accounts-current, and many other sums have interest on them calculated to the day, and for this purpose elaborate tables have been compiled and are to be found in most counting-houses. Where, however, such tables are not at hand the following rule will be found of great service:

Multiply the principal by the number of days, and this product by *double* the rate per cent. per annum. Of this result take $1, \frac{1}{3}, \frac{1}{5}, \frac{1}{60}$, and then place a decimal point in front of the fifth digit from the right; the result will be in pounds and decimal of a pound, which latter can

be reduced to shillings and pence at sight, as explained under "*Arithmetic*."

For example :

Find the simple interest on £154 for nine days at the rate of $3\frac{1}{2}\%$ per annum.

Principal	£154
Multiply by number of days	9
	1,386
Multiply by double the rate	7
Take the product once ..	9,702
Plus $\frac{1}{3}$	3,234
" $\frac{1}{30}$	323
" $\frac{1}{300}$	32
Insert decimal as explained	£13291
	= £0 2s. 7 $\frac{1}{2}$ d.

Again, as another example :

Find the interest on £9 for 30 days at $4\frac{1}{2}\%$ per annum.

Principal	£9
Multiply by number of days	30
	270
Multiply by double the rate	9
Take the product once ..	2,430
Plus $\frac{1}{3}$	810
" $\frac{1}{30}$	81
" $\frac{1}{300}$	8
	£03329
	= £0 0s. 8d.

N.B.—In the last example, notice the position of the decimal point.

Interest is either *Simple* or *Compound*. Simple Interest is so called because the interest is merely added on from year to year, and no additional interest reckoned on the amounts thus accruing. Thus, £100 put out at 4% *simple interest* for five years would amount to £120, the £20 being the simple interest added in five successive instalments.

Compound Interest is so called because the interest is paid not only on the original capital, but also on the successive additions as they annually accrue. So that £100 put out at compound interest at 4% would in five years amount to £121 13s. 2 $\frac{1}{2}$ d.

Where interests on various items on either side of an account

have to be worked out at a *fixed rate*, book-keepers calculate what are called "*interest numbers*," which are simply the product of the amount and the number of days; these "*interest numbers*" are entered in a special column provided for that purpose, and finally added up; if the Dr. side interest numbers show a bigger total than those on the Cr. side, this means that *on balance* interest has to be debited, the exact amount being easily obtained by operating on the *difference* between the *totals* of interest numbers by the process described above.

Interest is also frequently used by commercial men in quite other senses. Thus, one talks of safeguarding a client's interests; also of *vested interests*, *shipping interests*, and so on; and also of *taking an interest* in a company or syndicate.

Short Interest is the name given to interest, if any, allowed to the seller of stock if he postpones delivery. It arises, of course, from the fact that buyers are debited with interest in respect of purchases kept open (see "*Contango*"). Or, again, *short interest* sometimes means the amount by which the actual value of something insured falls *short* of the insured value.

Interest is a term frequently used in the science of Economics to denote money paid for the use of *Capital*, or accumulated wealth; however, it must be noticed that the economist does not treat the total income of the *capitalist*, or owner of capital, as interest. The portion of the *national dividend* (see "*Distribution*") secured by the owners of capital is regarded as composed of three elements, viz.:

- i. Reward for abstinence (*i.e.*, interest proper);
- ii. Indemnity for risk;
- iii. Wages of management.

In modern society, it is not usual for the individual capitalist as such to engage in his own enterprises, but a consideration of the general results of the limited liability company system will show that the three elements named above do as a rule emerge; the fees paid to directors and higher officials represent "*wages of management*," well-secured debenture interest may be considered as "*reward for abstinence*," whilst the excess of the return on the preference and ordinary shares over the debenture interest may under normal conditions be treated as "*indemnity for risk*"; if the company prove successful, the "*indemnity*" secured by the ordinary shareholder will exceed that secured by the preference shareholder, who, of course, took less "*risk*."

It is always difficult in practice to dissociate interest proper from the element of "*indemnity for risk*," and hence the intricacy of any argument which attempts to show that interest, *per se*, is a certain rate at a given time, or has increased or diminished in a certain period. However, it would seem that there are certain *general levels* of interest in different countries and at different periods, and it seems to be generally

accepted that in older and more wealthy countries the prevailing rate of pure interest is lower than in newer countries still in the development stage; this fact would explain the steady flow of capital in pre-war days from such countries as England, France, and Holland to the countries of the New World and Russia.

Professor Nicholson maintains that the interest on loanable capital depends, like all prices, on *demand and supply* (*which see*). Of causes affecting the supply he enumerates:

- (a) Those affecting the supply of capital in general;
- (b) Facilities for investment;
- (c) Security;
- (d) Mobility of capital already invested;
- (e) The prevailing rate of "profit-interest" (*i.e.*, of the return obtainable by the person who employs his *own* capital).

Demand, he points out, may come either from productive agencies or from "unproductive" agencies (*i.e.*, Governments in their capacity of armaments-providers, for example). The demand for capital assumes a visible form in the prospectuses which appear constantly in the press, and much valuable information on the subject of pure interest and the element of "risk" could be compiled from a careful analysis of the different rates of interest and dividend offered (or hinted at) in respect of a hundred and one descriptions of debentures, preference, cumulative preference, ordinary, and deferred shares of all degrees of "soundness."

This is, perhaps, a convenient place to refer briefly to the relative stability of interest rates as compared with *discount rates* in the Money Market (*which see*). This, again, is simply a question of demand and supply. The total of floating funds in the Money Market, though huge in itself, is small compared with the enormous total of capital already invested or awaiting permanent investment; moreover, this relative small fund of the Money Market is subject to very violent changes in demand, and when bill brokers and others are clamouring for *daily money* at three o'clock in the afternoon they can derive no satisfaction from calculations as to the total of the country's accumulated wealth, but must look to the floating balance of the banks as their only source of supply.

Economists have often pointed out that some people would persist in *saving* (*i.e.*, accumulating capital) even if no interest were obtainable, or even if a charge were made in respect of amounts saved, but, speaking broadly, there seems little reason to doubt that the higher the general rate of interest, the greater—other things being equal—is the tendency for capital to accumulate.

INTERIM CERTIFICATE. (*Fr.* Certificats provisoires; *Ger.* Temporaere Certifikate.) The preparation of *definitive* debenture and share certificates sometimes takes a considerable time after an issue

has been made, and meanwhile dealers therein must have some sort of documentary proof of ownership. Often this is furnished by the *allotment letter*, but sometimes by the issue of *provisional*, or *interim*, certificates by the company. Many terms are used to convey this idea; here the word "*scrip*" is often used in this sense, whilst in the United States they talk of "*temporary receipts*."

INTERIM DIVIDEND. (*Fr.* Dividende par intérim; *Ger.* Abschlagsdividende.) Explained under "*Dividend*."

INTERNATIONAL COINAGE. (*Fr.* Argent international; *Ger.* Welt-Umlaufsmittel.) Most experts in monetary science have had to face the problem of international coinage, and not a few have tried their hands at devising a system which should not only be practicable, but acceptable to the great trading nations of the world. The enormous loss of time and labour entailed by the complexity and incommensurability of different monetary systems has attracted the attention of all who have studied the subject. There is a great loss of time in converting statements of accounts, lists of prices, and tables of statistics when expressed in the moneys and weights of foreign countries. There is a further loss of labour incurred by the statistician and merchant who receive their information from various sources, sometimes expressed in pounds sterling and hundredweights, sometimes in francs and kilogrammes, sometimes in marks and centners. Worse than all, there are countries in which the Mint regulations are so imperfect or so loosely observed that special knowledge or personal research is required on the part of those who do business with them. So numerous and weighty are these difficulties that many people make a special study of them, and the remuneration of such intermediaries is, from the economic standpoint, so much sheer waste.

Attempts have been made to remedy these evils in the case of the Latin and Scandinavian Monetary Conventions, but the regulations laid down by these bodies are too rigid to admit of their becoming widely *international*.

Nevertheless, the principles of these Conventions have been adopted wholly or partially by several trading communities, and the measure of success they have achieved will have to be taken into account in any future scheme that may be devised. One hopeful feature has been developed in the course of the inquiries and investigations arising from the discussion of this question, and that is the almost perfect unanimity with which the Gold Standard (*which see*) has been accepted as the true basis of currency. There is also a pretty general agreement that the size or denomination of coin suitable for one country would not be the most suitable for another; and hence the practical inference that it is more desirable that the coinage of one country should be exactly *commensurable* with that of every other country included in the scheme

—in other words, that the coins should be exact multiples or sub-multiples of all the other coins, rather than that one unit should be adopted by each and all. To take a favourite example: It is said that a coin equal to 1 sovereign = 25 francs = 20 marks = 10 Austrian florins = 5 dollars would be a good coin to serve as a *Standard of Value* for international payments, and that all these values might be expressed on its face. It so happens, however, that although a coin of this size and value would *very nearly coincide* with the coinage of those countries respectively concerned, there are no two of them which *exactly* coincide; and in order to assimilate them, four out of the five, if not all of them, would have to make a slight alteration in the value of their unit. This is the great difficulty. No country is willing to make the requisite change. There is one reason why England should not make the change which cannot be urged by any of the others; the English sovereign has been in circulation without any change in weight or fineness longer than any other standard coin; the English sovereign is a coin known in all parts of the commercial world, and circulates freely without question wherever it is found. Too much importance, however, ought not to be attached to the fact, for it is well known that the smaller values of the dollar, or even of the franc, render them more acceptable in some circumstances than the large and, in certain poor regions, almost incomprehensible pound sterling. After all, the main difficulty is assimilation of value, for, as above stated, the international gold coin, if once agreed upon, might be called by a name that could be expressed in terms of the monetary units of all countries, and if such value were stamped on the face no mistake could possibly arise, or inconvenience be felt.

INTERNATIONAL STOCKS. (*Fr.* Valeurs internationales; *Ger.* Internationale Werte.)

(a) Bonds or shares whose dividends are payable in two or more financial centres in different countries, such as London, Paris, Amsterdam, Berlin, Brussels, etc.

(b) Bonds or shares which can be freely bought and sold in several different markets in various countries, and which therefore afford facilities for arbitrage (*which see*) and can be employed in the adjustment of international indebtedness. As examples may be mentioned Canadian Pacific shares, the shares of the leading American railways, and of the more important South African mines.

INTRINSIC VALUE. (*Fr.* Valeur intrinsèque; *Ger.* Innerer Wert.) By the *intrinsic value* of anything is meant the value that it possesses *in itself*, but when the attempt is made to further define what this exactly implies all sorts of difficulties arise. Hence it will be found that the word *intrinsic* has various meanings according to its context.

(a) When used in reference to Stock Exchange securities, *intrinsic*

value is meant to imply the value of the stock as an investment, that is to say, its soundness and potential dividend-paying capacity, as distinct from the ruling *market* value, which, by reason of panic or excessive optimism, may for long periods be either below or above the *intrinsic* value.

(b) When used in reference to money, *intrinsic value* relates to the actual exchangeable value of the *money commodity*, as distinct from the value conferred upon it by legal sanction or by custom. The phrase "Intrinsic Value" in this sense has been much objected to by economists, with a good show of reason, but the arguments used have not always indicated that the objectors quite appreciated their opponents' position. A promissory note for a sovereign, and a gold coin called a sovereign, have the same value—that is, each can be exchanged for the same quantity of any commodity—but everyone is conscious that the note depends for its value on the signature appended to it, and that if the person who signed it becomes bankrupt, or is proved to be a rogue, its value might be entirely destroyed. On the other hand, a sovereign, even though the legend were effaced and the device pressed out, would still have the same, or nearly the same, value, provided it were of full weight, since it derives none of its value from the words impressed upon it, or from the character of the persons who impressed them. Stating the question somewhat differently, a coin and a good promissory note (*e.g.*, a bank-note) have the same value—that is, they will exchange for the same commodity. Deface the coin by the rolling-press and the writing of the note by means of chemicals, the exchangeable value of the coin is scarcely at all impaired, while the paper is worthless. This is the distinction which most men have in their minds when they speak of the *intrinsic value* of a gold coin. The gold has a value independent of the words impressed on it or the character of the person who impressed them; the paper has no value apart from the words on its face and the character of the person who wrote them. At the same time it is well known that the phrase does often lead to confusion, and therefore some economists have suggested the substitution of the adjective "Metallic" for "Intrinsic" value in regard to money.

(c) At other times the word *intrinsic* value is used in the sense of value-in-use, or *utility*, as opposed to value-in-exchange. See "*Value*."

INVESTMENT. (*Fr.* Placement; *Ger.* Anlage.) By *investment* is meant the outlay of money in the purchase of land, houses, stocks, or shares with a view to receiving the interest, rent, or dividends accruing thereon. The term, however, like so many others used in commerce, is employed somewhat vaguely, and it is not unusual, nor can it be said to be incorrect, to employ it of money put into a business, whether manufacturing, wholesale, or retail. In such cases some would draw a distinction between the putting of money into a business with a

view to receiving a fixed rate of interest and the employment of it in the same business with the intention of getting a share of the profits, or bearing a loss, as the case may be. However, the real negative of *investment* seems to be *speculation* (*which see*). It is in this sense that the term "investment" is used on the Stock Exchange, and if, as sometimes happens, certain securities are sold "for investment only," this means that the buyer must not resell them on the market, at least for a considerable time. Similarly the term *investment stock* is very commonly employed in Stock Exchange circles, in spite of the fact that it would be a very fine question in many cases whether a certain stock were an investment stock or not; however, all Government loans are counted as investment stocks, whilst, on the other hand, nobody refers to rubber and oil shares as investment stocks in the technical sense of the term.

INVOICE. (*Fr.* Facture; *Ger.* Faktura.) An Invoice is a statement concerning goods sent to a customer. It should give full particulars of the goods, their quantity, marks, weights, numbers and dimensions, the method of carriage (*i.e.*, whether by rail, van, or steamer), all weight allowances (see "*Gross*"), and, of course, the price of the goods and the amount due in respect thereof, after deduction of all discounts and addition of all charges incurred.

It is important that all invoices be copied before despatch, as the final amount shown on the invoice must go through the books of account. By the process known as *billing*, the entry in the books is sometimes made at the time the invoice is prepared.

Consular Invoice. Goods shipped to countries like the United States, where "ad valorem" duties are in force, have to be accompanied by invoices verified by the United States Consul at the place of embarkation. In such case the invoice, which is on a special form (see specimen in *Appendix*), is prepared in triplicate and handed to the Consular Office. One copy is then sent forward to the United States by the Consul, one is kept by him for reference, and the third copy, duly certified, is returned to the exporter.

Preferential Tariff Invoices. In order to benefit by the preferential tariffs granted to British goods by certain Colonial Governments (Canada, Australia, New Zealand, etc.), British exporters must use a certain form of Invoice. A specimen of the Canadian form is given in *Appendix*.

I.O.U. (*Fr.* Reconnaissance; *Ger.* Schuldzettel.) A recognised contraction of the sentence "I owe you." It is the simplest possible form of written acknowledgment of indebtedness. As it is neither a promissory note nor a receipt, it requires no stamp. It is not a negotiable instrument, but as it is an acknowledgment of a debt, that debt can be sued for *at any time*, and is so far equivalent to a promissory note payable on demand. The following form of I.O.U. should be

adhered to, since any addition to or deviation from it by inexperienced persons might render it invalid :

Manchester, September 15th, 1914.

To Mr. John Wolley,

I.O.U. One hundred and twenty pounds.

£120.

HERBERT BENSON.

If any words were added which might be construed into a promise, it would then become a "promissory note," and would be invalid without a stamp (see "*Promissory Note*"). Hence the necessity of care when interest is to be paid ; for if it promises to pay *interest* only, no stamp is required, but if it were so worded as to imply a promise to repay the *principal* at a given date, it would require a stamp like any ordinary promissory note.

ISSUE. (*Fr.* Emettre ; *Ger.* Ausgeben.) *To issue* signifies to give out, to distribute ; hence, to issue notes, as by a bank, is to give out promissory notes in exchange for gold or silver, whether in the form of coin or bullion (see "*Bank of Issue*"). *To issue* shares, as is done by commercial companies, is to give out certificates in exchange for money or other consideration, which certificates entitle the holder to certain advantages and profits which may accrue from the undertaking (see "*Application*" and "*Allotment*"). *To issue* bonds or debentures, as is done by governments, municipalities, railways and other companies, is to give out in exchange for a money payment certain instruments which entitle the holders to a fixed rate of interest (see "*Bond*"). *To issue* a bill, note, or draft is to deliver it to someone who thereby acquires a right of action on it.

All big *issues*, whether by governments or companies, are managed by some bank or big financial house (called in this connection *Issuing Houses*), of which Rothschilds and Barings are two well-known examples. Such issuing houses undertake all the routine work connected with an issue, the drafting of the *prospectus*, the placing of *underwriting* (if deemed necessary), arranging the necessary publicity, preparation of forms of *application*, the work of *allotment*, the issue of *allotment letters* and *scrip*, and the ultimate exchange of the latter for definitive certificates.

ISSUING HOUSE. See "*Issue*."

J

JETSAM. See "*Flotsam*."

JETTISON. (*Fr.* Jeter à la mer ; *Ger.* Ueberbordwerfen.) The act of casting overboard cargo or ship's gear to lighten the vessel when

there is danger of her sinking or getting stuck fast on a reef. Goods or gear so sacrificed for the benefit of the ship and cargo as a whole are made the subject of "*General Average*." See "*Average*."

JOBBER. See "*Stock Exchange*."

JOINT ACCOUNT. (*Fr.* Compte Social; *Ger.* Konto Meta.) When two quite independent firms conduct certain business on the basis of an equal share in risks and profits they are said to act on joint account.

A firm may enter into a joint account with another for a specific transaction which is beyond its own unaided resources, or a joint account may be instituted for the conduct of regular business between two distant towns (say, for cotton dealings between Liverpool and New Orleans). Joint accounts are specially useful in connection with arbitrage dealings (see "*Arbitrage*"). Stock and share arbitrage with New York was seriously hampered by an ill-advised prohibition by the New York Stock Exchange of joint accounts with foreign firms for transactions in *listed* shares, and during the recent war all arbitrage dealings were prohibited on the London Stock Exchange.

JOINT STOCK BANKS. (*Fr.* Banques anonymes; *Ger.* Aktienbanken.) The *Joint Stock Banks* are distinguished from the Bank of England on the one hand, and on the other hand from *Private Banks*, *Banking Partnerships*, *Foreign Banks*, etc. The name originated in days prior to the rise of the limited liability companies, and most of the big joint stock banks owe their origin to special Acts and were at first founded on the principle of *unlimited* liability. The oldest of them are the *London and Westminster* (now amalgamated with the old *London and County* as the *London County Westminster and Parr's Bank*), established in 1834; the *London Joint Stock* (now the *London Joint City and Midland Bank*), in 1836; and the *Union Bank* (now the *National Provincial and Union Bank of England*), in 1839. The tendency at the present time is for the joint stock banks to absorb all the smaller and provincial institutions; as a banking precaution this is probably an excellent movement, as reducing the risk of local runs, and it has been pointed out that, although America is the land of big things, the big London banks are much larger concerns than the usual American banks; from the point of view of the bank shareholders, however, the policy of amalgamation does not seem to have been specially profitable. See also "*Banking*."

JOURNAL. (*Fr.* Journal; *Ger.* Tagebuch.) In book-keeping a *journal* is a book in which the transactions of each day are entered in the order in which they occur, or, rather, such transactions as do not permit of direct entry in the *Cash Book*, *Purchases Book*, or *Sales Book*. The separate items are afterwards entered (or *posted*) into the proper books of account, the *Ledger*, etc. The *Journal* is considered one of

the *principal* books, in contradistinction to those which are auxiliary or accessory.

The entry of items into the Journal is sometimes called *Journalising*.

JUDGMENT DEBTOR. (*Fr.* Débiteur condamné; *Ger.* Gerichtlich anerkannter Schuldner.) When a debtor has been proceeded against, and actually ordered by the courts to pay a certain sum owing, he becomes what is known as a *judgment debtor*, whilst the party to whom the money is due is sometimes referred to as a *Judgment Creditor*.

K

KILOGRAMME. (*Fr.* and *Ger.* ditto.) 1,000 grammes, and the recognised unit of weight in many Continental countries. A kilogramme is rather more than 2 lb. avoirdupois. See "*Metric System*" and *Appendix*.

KILOMETRE. (*Fr.* and *Ger.* ditto.) 1,000 metres, and the generally adopted unit of long-distance measurement on the Continent. Roughly speaking, 16 kilometres are equivalent to 10 miles. See "*Metric System*" and *Appendix*.

KITES. (*Fr.* Billets de complaisance; *Ger.* Kellerwechsel.) A slang term for *Accommodation Bills* (*which see*), and, generally, for paper credit not based on actual commercial transactions. In Scotland they are also called *Wind Bills*.

L

LABOUR. (*Fr.* Travail; *Ger.* Arbeit.) In its *economic* meaning, *Labour* is the putting forth of *effort* in the production, preservation, or distribution of material welfare, or the goods and services which go to make up such welfare. The term is therefore employed as the type of services of all sorts, the sum total of wealth being ascribed to the combination of *land*, *labour*, and *capital* (see "*Economics*"). The student of Economics must at once banish from his mind the conventional conception of *Labour* as a navy in corduroys. The schemes of the millionaire, if applied to productive purposes, are as much *labour* as the mowing of corn, and under the present system of business organisation it would be much more correct to describe the ordinary managing director of a company as a *working man* than as a *capitalist*.

To get a clear conception of the subject it is necessary to adopt Professor Nicholson's distinction between *subjective* and *objective* labour; that is to say, between the idea of *effort* and the idea of *efficiency*, for however much one may sympathise with the intentions of a worker,

it is obviously the *results* of his work that matter to the community at large. On its subjective side the *labour* expended on a given object involves intricate consideration of the time involved in the work, the intensity of effort and thought devoted to it, the cost incurred in preparing the worker for his employment, the relative agreeableness of the environment in which the work takes place, and the number of years for which such labour can be sustained. On its objective side labour is judged by its *results*, and not by the sensations of the worker. Here we come across the problem of education and public health, as affecting the efficiency of labour, the delicate problem of the relation between high and low wages, and efficiency, the value of the stimulus afforded by co-operation and co-partnership schemes, the natural qualities of a race, the supplies of food, the normal environment, the standard of intellectual development, and even the "moral capacities and activities" of the people concerned.

In his book on "Wealth," Professor Cannan deals at some length with the question of *Labour*, and draws an instructive comparison between the conditions affecting the labour of an isolated individual and of a society or nation. He points out that in the case of a community regard must be had not only to the natural powers, education, and sound judgment of individuals, but also to the *age-composition* of the population, the extent to which *division of labour* (which see) has been adopted, and the approximation of the population to "the most suitable magnitude."

See also "*Rate of Wages*."

LAC OF RUPEES. A *Lac* of Rupees signifies 100,000, but is written 1,00,000.

The arithmetical notation for rupees is peculiar, and requires explanation. For anything *less* than 100,000 rupees the ordinary notation is used; but for any sum above that—say, 125,000 rupees—a different mode of statement is adopted. Thus, 125,000 rupees is written 1,25,000, and is read as 1 lac, 25,000 rupees. This suffices for any number of rupees less than 10 millions, for which another comma is inserted. Thus, 7,13,12,500.65 is read as 7 Crores, 13 lacs, 12,500 rupees, 6 annas, and 5 pice. See also "*Crore*" and "*Rupee*."

LACHES. (*Fr.* Négligence; *Ger.* Zaeumnis.) *Laches* is a term used in commercial law to describe those acts of negligence and carelessness which entail inconvenience and sometimes loss to those who commit them. As examples may be mentioned: (1) The taking of a bill or note in satisfaction of a debt, and failing to present it in due course. (2) If a person receives a cheque in payment of a claim and neglects to present it at the bank on which it is drawn while there are funds to meet it, and afterwards presents it when the funds are insufficient, the loss and inconvenience will fall on the holder of the cheque.

(3) If a banker pays a cheque which a little care would show to have been forged, he has committed a *lache*, and must bear the loss. (4) If a bill is dishonoured by the refusal of acceptance or payment, the holder must give notice of the fact to the antecedent parties, or he will have no claim against them, and the failure to give such notice constitutes a *lache*.

On the other hand, when mistakes are made which no ordinary care would have prevented, they are not called laches, but are described as *frauds* on the part of those who cause them, and as it is often difficult to draw the line between *laches* and *frauds*, it not infrequently happens in courts of law that some of the most troublesome points which a jury is called upon to decide are whether a fraud has been intended or a mere lache committed. See "*Fraud*."

LANDING ACCOUNT. (*Fr.* Compte de débarquement; *Ger.* Landungsspezifikation.) A *Landing Account* is in appearance very similar to a dock warrant, from which in fact it differs only in not being a formal document of title, but rather a sort of preliminary statement drawn up by the dock or wharf officials of the goods landed, their numbers, marks, weights, etc., the date of their arrival, the name of the importing vessel, and so on. The Landing Account is naturally a document of considerable interest to the importer or owner of the goods, particularly in the matter of the *landing weights*. See also "*Weight Note*."

LANDING WEIGHTS. See "*Landing Account*."

LARCENY. (*Fr.* Larcin; *Ger.* Diebstahl.) See "*Embezzle*."

LAW MERCHANT. (*Fr.* Droit Commercial; *Ger.* Handelsrecht.) A branch of English *common law*, embodying the customs and usages of merchants, and distinguished from *Statute Law*, or written law, which is founded on definite Acts of Parliament passed from time to time.

The *Law Merchant* dates from a very early period, and is referred to in a Statute of Edward III., and from that time till now many usages have acquired the force of law, although never fortified by an Act of Parliament, whilst other usages have been found so useful and important that special Acts have been passed with a view to placing their authority beyond dispute. By the process known as *codification* (carried to a fine art in many Continental countries), the rules relating to the negotiation of bills of exchange, partnership, apprenticeship, companies, sale of goods, etc., are now incorporated in our Statute Law. But many customs still remain which have no other force than that of long usage and the consent of merchants, but which will be upheld in the Courts on presentation of adequate proof of their general recognition.

As a familiar example may be mentioned the practice of depositing

coupons with the agents authorised to pay them when they are due. It is the universal practice to require those who present coupons for payment to make a list of them, containing the number of each one, and then to leave them three or more clear days for examination. Now there is, as a rule, nothing on the face of the bonds to authorise this delay, or to justify the imposition of the labour of preparing the lists. Yet if any cantankerous bondholder insisted on immediate payment on presentation, and that payment were refused, he would assuredly discover, perhaps to his cost, that the law merchant justified the delay, for the custom is general and is enforced by merchants and bankers in the interest of bondholders generally, and not for their own sakes, as by these means they ensure the payment of the coupon to the rightful claimant, and prevent irregularities and losses which might result from a more hasty course of procedure.

So, again, with regard to "stopped payments," "stopped notes," "stopped cheques," or "stopped bonds"; there is nothing to justify the *stopping* of these instruments but the desire to secure the payment or transfer of them to the rightful owner. Nevertheless, *stopping* is so common, and is of such manifest importance, that the law merchant will always support those who put on a "*stop*," provided it be shown that no negligence or unnecessary delay has been practised. See "*Stopped Payment*."

LAY DAYS. (*Fr.* Jours de planche; *Ger.* Liegetage.) When charter parties are drawn up, or other arrangements made with ship-owners for the employment of vessels for the transport of goods, it is usual to stipulate that so many days shall be allowed for loading and unloading the vessel, and these days are always referred to as *lay days*. See also "*Demurrage*."

LEASE. (*Fr.* Bail; *Ger.* Pacht.) A *Lease* is the letting or giving up the care and possession of lands, tenements, offices, machinery, etc., for a stated period, and for a stated consideration, usually a periodical payment, known as rent, or ground rent; after the expiry of the stated period the use and enjoyment of the property leased reverts to the original owner or his legal successors.

The term is also applied to the deed or document containing the terms on which the property is leased.

The person granting the lease is the *lessor*, and the person taking the lease the *lessee*.

LEDGER. (*Fr.* Grand-Livre; *Ger.* Hauptbuch.) The Ledger is one of the principal books of account in every merchant's office. It is commonly said that a well-kept ledger would show the actual condition of a bank or merchant's office, even though all the subsidiary books should be destroyed by fire or other accident. If for "ledger" we substitute "ledgers" this would probably be true. For—apart

from a merely alphabetical subdivision of the main ledger—there are different kinds of ledgers used in all large offices. Indeed, it may be said that most books into which entries are *posted* from the auxiliary and subsidiary books are called ledgers, if they are intended to be kept for reference and as a permanent record of business done.

LEGAL TENDER. (*Fr.* Monnaie Légale; *Ger.* Gesetzliches Zahlungsmittel.) Those coins or instruments of credit which must by the law of the country be accepted by a creditor in satisfaction of a debt. In England the following are legal tender, viz. :

Gold Coins issued by the Mint;

Silver Coins of the realm to the value of not more than 40s.

Copper Coins of the realm to the value of not more than 1s.

Currency Notes issued by the Treasury.

Bank of England Notes for sums over £5, provided the Notes are payable on demand to bearer and that the Bank actually pays such Notes in current legal coin or Currency Notes. It is sometimes said that Bank-Notes are not legal tender at the Bank, by which is meant that by the very principle of convertibility the Bank of England cannot force anyone to accept *its own notes* in payment.

Economists have distinguished different kinds of legal tender systems, and the following may usefully be mentioned :

(a) *Single Legal Tender System.* A Government, while emitting various coins in various metals, may ordain that all contracts expressed in money of the realm shall, in the absence of any express provision to the contrary, be taken to mean money in *one kind of metal* specially named, while other coin shall be left to circulate at varying market rates compared with the principal kind of coinage.

(b) The Government may emit coins of two or more kinds of metal, and enact that contracts may be discharged in one or the other kind, at certain rates fixed by law. This is the *Multiple Legal Tender System*. See "*Bimetallism*."

(c) While maintaining one kind of coin as the principal legal tender, in which all large money contracts must be fulfilled, coins of other kinds of metal may be ordered to be received in limited quantities as equivalent to the principal coin. This may be called the *Composite Legal Tender System*, and will be seen to be, in effect, the system above described as in force in this country.

LETTER OF ALLOTMENT See "*Allotment*" and *Appendix*.

LETTER OF CREDIT. (*Fr.* Lettre de Crédit; *Ger.* Kredit-brief.) A letter of credit is a letter addressed to a correspondent in some distant centre, requesting that a certain sum be placed to the credit, or held at the disposal, of some person named therein. It is

not a negotiable instrument, owing to its vagueness and strictly personal nature ; it has been called the most primitive form of bill.

Form of Letter of Credit.

London, 15th January, 19—

Messrs. Speyer & Co.,
New York.

DEAR SIRs,

The bearer of this letter is Mr. James Hampton-Copping, in whose favour we beg to establish a credit for *one thousand dollars* (\$1,000).

Kindly hold this sum, or any part thereof, at the disposal of Mr. Hampton-Copping, debiting our account with any sums paid to that gentleman by virtue hereof, under mail advice to us. This letter of credit is valid until 31st *December next* only.

We append specimen signature of Mr. James Hampton-Copping, and remain, Dear Sirs, etc.

Circular Letter of Credit. An elaboration of the simple Letter of Credit described above. It is a letter addressed to *several* banks or merchants in various centres. Such letters are issued for the convenience of persons travelling, and who wish to avoid carrying large sums of money about their person. Suppose, for example, a person intends to travel for business or pleasure through Paris, Frankfort, Vienna, Rome, and Marseilles, and is prepared to spend £500 during the trip. He *purchases* a Circular Letter of Credit in London by paying his £500 into one of the big banks, and receiving thereagainst a document, very elaborately drawn up, communicating to the correspondents of the bank in each of the towns mentioned authority to make payments to the bearer thereof ; every payment made is entered on the back of the letter, in special columns provided for that purpose, and, of course, no single payment will be made in any of the towns before the signature of the payee has been satisfactorily verified, and the total of previous payments examined to see that the credit is not already exhausted. As Monte Carlo is not mentioned in the itinerary, the probability is that the holder of the letter of credit returns to London with a certain amount still in his favour ; he then surrenders his letter of credit to the issuing bank, and receives payment of the balance due to him.

Circular Notes. A somewhat different method of providing a traveller with claims upon distant centres is to issue what are called "Circular Notes." These are printed for stated amounts, and are payable by any correspondents of the issuing bank at agreed rates of exchange to the person whose signature appears on the Note. In the United States the term employed is "*Travellers' Checks*," and a

careful perusal of the subjoined specimen will show exactly the nature of the document.



DENOMINATIONS \$10, \$20, \$50 AND \$100

In advocating their use, the National City Bank says: "The readiness with which these Checks are cashed by banks, hotels, railroads, steamship companies, and business houses generally makes them practically a universal currency. Banks and bankers can meet the needs of their customers, *without obligation to themselves,* by having a supply of the checks on hand."

LETTER OF INDEMNITY. (*Fr.* Garantie d'Indemnité; *Ger.* (Schadlos)—Bürgschaft.) A formal undertaking in writing given by A to B that in consideration of B performing certain acts or refraining from other acts, A will recompense B if the latter sustains any loss or damage thereby. Letters of Indemnity are freely used in commercial operations: for instance, if a Mate's Receipt (*which see*) contains such a remark as "Cases broken," the shipping company would be within its rights in entering such remark on the Bill of Lading. For obvious reasons, however, the shipper does not want a note of that sort to be seen by the consignee, so he (the shipper) furnishes the shipping company with a Letter of Indemnity which assures it immunity from claims in respect of the broken cases; with the Letter of Indemnity in hand, the shipping company omits the objectionable memo from the Bills of Lading issued. See also "*Clean Bills,*" under "*Bill of Lading.*"

In drawing up Letters of Indemnity the commercial man sacrifices his customary lucidity to the supposed superior safeguard of legal verbiage. Thus, the following is quite a common form of Letter of Indemnity made out in respect of a lost cheque:

To the Directors of the — Co., Ltd.
Gentlemen,

The cheque No. — for £— issued by you to me in respect of dividend on — shares of your Company, Nos. — having been

mislaid, lost or destroyed, but not parted with nor charged in any way, and in consideration of your issuing to me a duplicate cheque, I hereby undertake to save you harmless and keep you indemnified from and against all actions, proceedings, claims and demands which may be made or brought against you in relation thereto, and from and against all costs and expenses arising out of such claim.

Dated this day of 19



Every Letter of Indemnity, if intended to have effect in British Courts, must bear a 6d. stamp.

LETTER OF REGRET. See "*Allotment*."

LETTER OF RENUNCIATION. (*Fr.* Formule de renoncement ; *Ger.* Abtrittscertifikat.) It frequently happens that when a company makes a new issue of shares the old shareholders are given the prior right to apply for the new shares. The old holders, however, may dispose of their right, and in that case they make over their *rights* by signing and delivering a *Renunciation Letter*, by which they abandon their right to subscribe in favour of the party to whom they have sold their *rights*.

LETTERS OF ADMINISTRATION. See "*Administration*."

LETTERS PATENT. (*Fr.* Brevet d'Invention ; *Ger.* Patent.) An official document issued by the Patent Office, which confers upon the recipient the sole right to use and exploit a certain invention for the period prescribed by the Patent Acts. Before *Letters Patent* are issued the inventor must submit detailed drawings and specifications of his idea, but meanwhile he can obtain what is called a "*Provisional Protection*," the legal effect of which is as good as that of the Letters Patent itself.

The Patent Law was brought up to date by the *Patents and Designs Act*, of 1907, and a subsequent legal decision upheld an important section of the 1907 Act, which was inserted to prevent practices whereby the holders of patents had enforced agreements which virtually extended their rights long after the statutory period of 14 years had expired, or by which the holders of patents used their right to exercise monopoly privileges in other directions. A chemist had the patent rights of a certain bleaching process, and entered into contracts with certain manufacturers of straw hats whereby those firms were compelled to buy certain stated chemicals from the holder of the patent in question as one of the conditions on which they were licensed to use the

process. The patent was infringed by an outsider, who, when prosecuted, set up the defence that, under the 1907 Act, the patent was void on account of the illegal stipulations made by the holder of the patent in the agreements with the users of it. The Court upheld this contention.

LIABILITY, LIABLE. (*Fr.* Passif, passible; *Ger.* Haftpflicht, Verbindlich.) From the Latin, *ligo*, meaning to bind. The word *liable*, used somewhat vaguely in common speech in the sense of "exposed," "subject," is employed in commerce with a meaning more in accordance with its etymology. *To be liable* is to be "bindable," "able to be bound," and a man may render himself thus *liable* by placing himself under the action of the laws of the realm, or by entering into a private contract, or by inadvertently exposing himself to the devices of fraudulent individuals. Thus, the law of the land cannot *bind* a man to pay a penalty, or to go to prison, if he has not committed the offence to which such punishment is attached; but if he does commit such offence, the law is empowered to bind him; in other words, he is "liable," or "able to be bound." Again, I am not bound, nor can anyone bind me, to pay the debts of my next-door neighbour; but if I have entered into a contract or agreement, or have become surety for him, then in the event of his failing to pay his debts, his creditors are able to bind me, or the contract binds me, to make good the deficiency—that is, I have incurred a *liability*, or am *liable* for his debts.

Limited Liability. Liability is said to be *limited* when the person liable is bound under clearly defined conditions and only for a certain stated sum. The phrase is chiefly used in relation to companies, and here it means that the members or shareholders shall not under any circumstances be called on to contribute more than the full nominal amount of the shares they hold in the company. If the debts of such a company, when wound up, amount to more than the available resources, the creditors must bear the loss. See "*Limited Liability Companies.*"

Unlimited Liability. The best concrete example of unlimited liability is provided by the case of an ordinary partnership. In the event of a failure, the creditors may call upon each and every partner to contribute, if necessary, his last penny towards meeting their claims. As such unlimited liability might under certain circumstances act as a serious check on business enterprise, the device was adopted in Germany more than twenty years ago of what is called the "Commanditaire," the name given to a person who puts a certain sum of money into a partnership without assuming the full responsibilities and liabilities of an ordinary partner. The so-called "sleeping partner" may henceforth literally sleep well and soundly, for his liability is limited to the sum he invests in the concern. In 1907 this idea was adopted in this

country by the *Limited Partnerships Act*, which provided for the registration of limited partnerships of not more than 20 persons (10 in the case of a bank). At least one member must be a "general partner," liable for all the firms' debts and obligations as under the old system, but others may enter as "*limited partners*" on contributing a sum in cash or in property valued at a stated amount, and such limited partners shall not be liable for the debts or obligations of the firm beyond the amount so contributed. To safeguard creditors it was provided that all such partnerships should file at Somerset House (or at the Companies Registry in Edinburgh or Dublin) full particulars of the constitution of such firms, the names of all the partners, a statement that the partnership is limited, and a description of every limited partner and the sum he contributes.

As a matter of fact, however, the 1907 Act has not been adopted to any important extent, as the advantages conferred on *Private Limited Liability Companies* by the Companies (Consolidation) Act of 1908 have made it much easier to proceed by way of Private Company than by Limited Partnership.

Reserve Liability. Whilst the present body of company law was still in the making, and when various tentative steps were being taken in different directions, an Act was passed in 1879, entitled "A Bill to Amend the Law with respect to the Liability of Members of Banking and other Joint Stock Companies." This Act was a sort of compromise between those who thought that the application of the principle of limited liability to banks did not give adequate protection to depositors and other creditors and those who contended that bank shareholders should not be excluded from the enjoyment of the limited liability principle. The main idea was to attach to each share, even when fully paid, a "reserve liability" of fixed amount, capable of being called into operation in the event of the share capital and resources of a company proving insufficient to meet the claims of creditors. This Act never proved effective, and has been superseded by subsequent legislation, but the object it had in view is effected by the fact that a large proportion of the share capital of the leading banks is *uncalled*, and is a reserve, or reserve liability, from whichever point of view it is regarded.

The Reserve Liability Act of 1879 is represented in the Companies (Consolidation) Act of 1908 by Section 59, which provides that a company may, by *Special Resolution*, declare that any portion of its capital *not already called up* shall not be capable of being called up except *in the event* and for the purpose of the company being wound up.

Liabilities by endorsement is a term applied to liabilities incurred by banking and commercial firms in consequence of having endorsed bills of exchange or other negotiable instruments, whereby they become responsible for the payment of such bills, etc., in the event of all the other parties failing to do so.

LIEN. (*Fr.* Droit de rétention; *Ger.* Rechtsanspruch.) A *lien* is the right to retain anything given as a pledge or security until the claim upon it be satisfied. It also includes the more general right of anyone who has been employed to bestow labour upon any article to retain that article until his labour is paid for. An innkeeper who bestows his care on the property of his guest, a carrier who has conveyed goods from one place to another, a joiner who has repaired a desk, each has a lien on the articles on which labour has been bestowed, which lien he can lawfully enforce if he be so minded until his work is paid for. Hence the distinction between a *particular* and *general* lien.

Particular lien is the right to retain any particular article or chattel until some legal claim upon it be satisfied. A bookbinder has a particular lien on a book that he has bound, a joiner to the desk he has repaired, a banker to any securities pledged for the payment of a specified debt, which lien he may enforce by retaining the articles named until the debt is paid; but he may not seize or retain any other securities or chattels for that *one* debt. The shipowner's lien for freight, and the railway company's lien for carriage come under this head.

General Lien. An hotel-keeper has a general lien upon the baggage and other property of a guest which he may retain till his bill is paid. A banker has a general lien upon all bills, notes, stock, coupons, and bonds placed in his hands by customers, and which he may retain as security for any sums due to the bank; such banker's lien extends not only to debts already accrued, but to any that may accrue while the said securities are in possession of the bank.

Seller's Lien. The Sale of Goods Act provides that, notwithstanding the fact that the property in goods may have passed to the buyer (see "*Buyer's Risk*"), the unpaid seller has a lien on the goods while he remains in possession of them, for the payment due thereon, and a right of eventual re-sale under certain conditions. Further, even although the goods may have left his possession, he has the right of "*Stoppage in Transitu*" (*which see*).

A seller's lien is not affected by any sale or other disposition of the goods by the buyer, unless the seller has assented thereto, except in the case where the buyer has transferred the document of title to the goods *by way of sale* to a third party who took it in good faith and for valuable consideration; in such case the seller's right of lien is defeated; similarly, if the transfer was *by way of pledge* or other disposition for value, the unpaid seller's lien and right of stoppage in transitu can only be exercised subject to the rights of the transferee.

LIGHT COIN. (*Fr.* Argent léger; *Ger.* Leichte Muenzen). A *Sovereign* is, technically, a *light coin* whenever it weighs less than 123·27447 grains (7·98805 grammes), but it does not cease to be legal tender till it is reduced in weight to 122·5 grains (7·93787 grammes).

The last person who uses and tenders such light coin bears the loss. See also "*Abrasion*."

Silver coins are allowed to fall much lower from their Mint weight before they are withdrawn from circulation, and sixpences may sometimes be met with in trade which scarcely exceed one-half their legal weight. Even then they are often accepted as readily as though they were of full Mint value, everyone being confident that he can pass them on to someone else and so avoid any loss. In the end the banks withdraw the emaciated pieces and negotiate their acceptance by the Bank of England on behalf of the Mint.

Professor Jevons strongly urged that the Government ought "to bear the loss occasioned by the wear of the gold, as it already bears that of the silver currency. . . . No one would then have any reason for keeping the light gold away from the Bank; the currency would soon be purged of the illegally light coins, and would thenceforth be kept up strictly to the standard weight; all loss of time and trouble would be saved to individuals, a consideration which we should not lose sight of, and, lastly, no injustice would be done, as at present, to the last holder of a light sovereign.

"In opposition to such a proposal it is usually urged that encouragement would be given to the criminal practice of sweating or otherwise diminishing the weight of the currency. I answer that, on the contrary, it is the present state of things which gives the best opportunity for illegal practices, because it renders the population perfectly accustomed to handling old and worn coins. No one now actually refuses any gold money in retail business, so that the sweater, if he exist at all, has all the opportunities he can desire. I have met with sovereigns deficient to the extent of four or five grains, or 8d. to 10d., but they nevertheless circulate. . . . Under the proposed new system, such practices would be rendered almost impossible."

The contention of Professor Jevons was given legislative recognition by the Coinage Act of 1891, which provides that gold coins not more than 3 grains below the fixed standard weight will be exchanged *at the Mint* for full weight coins of the same denomination. There was practically no light gold coin in circulation at the time when gold coin disappeared from public view in 1914.

LIMITATIONS, STATUTE OF. (*Fr.* Loi de prescription; *Ger.* Verjaehrungsgesetz.) Whenever an injury has been done, or a debt incurred, a *right of action* has been set up. This action must, however, be brought within a reasonable time, and what shall be considered a reasonable time is fixed by the *Statute of Limitations*. After that period, the remedy is *barred* by mere lapse of time. See "*Right of Action*."

The use of such Statute of Limitations is to preserve the peace of the kingdom, and to prevent those innumerable perjuries which might ensue if a man were allowed to bring an action for an injury committed

at any distance of time. Upon both of these accounts the law, therefore, holds that *interest reipublicæ, ut sit finis litium* ("it is of importance to the commonwealth that there should be a limit to litigation"), and upon the same principle the Athenian laws in general prohibited all actions where the injury was committed five years before the complaint was made. Nor are these the only reasons on which the bar by lapse of time is founded; for if the plaintiff were permitted to bring a claim forward at any period, however remote, there would be danger of its being delayed until the defendant had, by some casualty, been deprived of the documentary or other evidence by which it might once have been successfully encountered; and the delay might even be practised with the fraudulent design of exposing him to this disadvantage; besides which, it is to be considered that great hardship always attaches to the case of a party who, after a long possession—not originating in any fraud or other misconduct of his own—finds himself unexpectedly liable to eviction, while, on the other hand, a supine claimant is entitled to no favour or protection from the law; the maxim being that *vigilantibus non dormientibus, jura subveniunt* ("laws come to the help of the watchful, not to the sleeping").

The Statute of Limitations covers a great number of cases, but those most frequent in commercial and banking practice are the following:

i. All debts on simple contract, arrears of rent, and actions for trespass, are limited to *six years* after the cause of action has accrued. Exception is made in favour of persons labouring under disability, such as being *under age*, or of *unsound mind*, in which cases it is provided that such persons shall be at liberty to sue after the removal of the disability within the same period as is allowed to persons having no such impediment.

ii. A Bill or a Note may be negotiated for the space of *six years* after it has become payable. After that period no action can be taken. The exceptions are, when a fresh promise *in writing* is signed by the party to be charged, or his agent, and when part payment has been made, or interest paid, when the remedy will be revived and continued in force from the date of the last payment.

iii. If a customer leaves a deposit or balance at his banker's and neither adds to it nor draws upon it for six years, the banker is not liable. But if the balance has been above the recognised minimum, and interest on such balance has been added from time to time in the banker's books, the bank is liable for six years after the date when the last addition was made.

iv. In regard to real property considerable alterations have been made in the law from time to time. Formerly if a person or persons had enjoyed a right of way, or the use of side lights looking upon an adjoining property, and had been in peaceable possession of that privilege for *twenty years*, he could not after that be dispossessed. But by an Act passed in 1874 the term was shortened from twenty years to

twelve years. Hence the necessity of closing such rights of way, or obstructing such windows, the use of which is enjoyed only by sufferance, every few years, in order to prevent any piece of property from being encumbered by claims to which strangers or neighbours have no legal right, but to which they can establish a right, if these simple precautions are neglected.

LIMITED LIABILITY COMPANIES. (*Fr. Sociétés anonymes; Ger. Gesellschaften mit beschränkter Haftpflicht.*) The Companies Acts recognise three distinct kinds of limited liability companies, viz. :

- i. Companies with liability limited by *shares*;
- ii. Companies with liability limited by *guarantee*, and not having a share capital;
- iii. Companies with liability limited by *guarantee* and having a share capital.

However, for all practical purposes the term *limited liability company* means a company with liability limited by shares. As distinct from the members of an ordinary trading firm or partnership, the shareholders of a limited liability company are liable, in the event of insolvency, only to the extent of the nominal value of their shares; that is to say, if their shares are already fully paid, they have no further liability whatever, and if their shares are only partly paid, their liability is confined to the payment of the sum hitherto uncalled on their shares. (One exception must be noted, although not nowadays of great importance, and that is, that the principle of limited liability cannot be extended to the *note issue* of any banking company, and the shareholders of such banking company incur *unlimited* liability in so far as is necessary to meet notes that have been put into circulation. See "*Bank of Issue.*")

The first Act of Parliament recognising the principle of limited liability was passed in 1855, but it was not until the codifying Act of 1862 that the subject became one of general commercial importance, and since then the greater part of what might metaphorically be called the *working capital* of this country has passed into the control of companies with limited liability. The enormous growth of such concerns, both in numbers and magnitude, has not been free from many abuses, particularly in connection with the flotation of bogus concerns by disreputable *promoters*, and fresh Acts have had constantly to be put on the Statute Book in the endeavour to eliminate the swindler without hampering legitimate business enterprise. The last general codification of the law relating to limited liability companies was the Act of 1908, but even that does not cover the whole ground as, besides amending Acts since passed, there are special Acts relating to banking concerns, the Assurance Companies Act (1909), the Limited Partnerships Act (1907), the Friendly Societies Act (1908), and the Industrial and Provident Societies Acts (1874 to 1894).

It should be noticed that the limitation of members' liability is not the only advantage which a limited company has over a private partnership. The former has a continuing, corporate existence, irrespective of the death or bankruptcy of any individual member or official.

For the protection of the public it is provided that every limited company must add the word "*Limited*" to its name under all circumstances, and must have a duly *registered office*, but although the intention of this provision is obvious, it would seem that as a matter of fact the description of a company as "*Limited*" gives it a certain *kudos*, and it has been found necessary to enact a penalty of £5 per day in the case of any person or persons who trade under a name of which "*Limited*" is the last word, if they are not, in fact, duly incorporated under the Companies Acts.

Public and Private Companies. The Act of 1908 gave definite legal sanction to the distinction that had grown up between "*public*" and "*private*" companies. In non-legal terms the distinction may be briefly stated thus: A "*public*" company is one that makes its appeal for capital to the public at large; a "*private*" company is one that finds its capital among a small group of individuals who have a personal knowledge of, and interest in, the concern, and is only distinguishable from a private partnership by the principle of limited liability.

In the case of a "*public*" company the Memorandum of Association (*which see*) requires *seven* signatures, whilst *two* are sufficient in the case of a private company, and by Section 121 of the 1908 Act a "*private*" company must

- (a) Restrict the right to transfer its shares;
- (b) Limit the number of members to 50 (exclusive of persons in the employment of the company);
- (c) Prohibit any invitation to the *public at large* to subscribe for any shares or debentures of the company.

Further, a "*private*" company need not file any *Statement in lieu of Prospectus* (see "*Prospectus*"), nor annual balance sheet, nor the report prior to the *Statutory Meeting* (*which see*), and can proceed to allotment without attaining any *minimum subscription*. See "*Allotment*."

Other matters relating to limited liability companies will be found under separate headings, some of which are referred to above.

General Considerations. The growth of the limited liability principle has revolutionised the organisation of the manufacturing and commercial world within the last half-century, and has facilitated the extension of what is always known in the States as "*big business*" to the exclusion of the "*small man*." The little tradesman complains bitterly of the competition of the big *stores*, and the worker asserts that the company system has eliminated any feelings of *camaraderie* that may formerly have existed between employer and employed, and has thus directly stimulated the development of *trade-unionism* as the only

protection against tyranny ; there is indeed considerable truth in the charge that in their capacity as *shareholders* people will wink at practices which as individual employers they could not conscientiously adopt. Without any analysis of the merits or aims of trade-unionism, the mere fact that capital has become concentrated, and is ever becoming more and more concentrated, in large companies which are correspondingly large employers of labour, seems to be ample justification for the corresponding growth of combinations of employees, and in so far as trade unions endeavour by corporate action to remove *abuses* involved in the limited company system, and do not aim at upsetting that system itself, they are engaged in perfectly legitimate action.

The limited liability principle facilitates the getting together of large sums, and thus the execution of big tasks of general public benefit, and it seems often to be overlooked that the publicity given to the balance sheets of the large companies—and the small ones also, for that matter—is a great factor in ensuring *competition* if profits appear to be good. This is a matter of profound importance to the general public, as automatically safeguarding them against incipient monopolies. Further, the limited liability system affords opportunities never previously within the reach of the small investor, and if in the past that unfortunate individual has often been the victim of financial sharks, there is at the present time every facility for a person to make small investments in absolutely sound businesses, and the profits of the *bucket-shop* must arise rather from the *cupidity* than the *stupidity* of the man-in-the-street.

LIMITED PARTNERSHIPS. See under “*Liability*.”

LIQUID ASSETS. (*Fr.* Actif liquide ; *Ger.* Fluessige Aktiva.) A term used by bankers to denote coin, bank-notes, call loans, and securities which can be instantly converted into *cash*. It excludes all bills which have several days or weeks to run, bonds and shares which have not an absolutely ready and reliable market, and generally all such securities whose value cannot from any cause whatever be at once realised in an emergency.

The term may also be applied to assets of any ordinary trading company which are easily and quickly realisable in cash (see “*Assets*”), and is sometimes used in contradistinction to *Fixed Assets*.

The terms *Liquid Reserve* and *Liquid Securities* have a precisely similar significance.

LIQUIDATED DAMAGES. (*Fr.* Dommages Interets ; *Ger.* Bestimmte Entschädigung.) Where a contract defines precisely what compensation is to be paid in cases of default or establishes the method of computing such compensation, or where the amount of compensation

is fixed at a later period by agreement between the parties, such compensation is known as *liquidated damages*.

LIQUIDATION. (*Fr.* and *Ger.* ditto.) Sometimes this term is used merely in the sense of *selling*, particularly in the phrase "liquidation of securities," but there is usually also a suggestion that the selling is not altogether voluntary; hence the term *forced liquidation*, which is used of the *selling of goods or securities* by or for account of a person or firm in financial difficulties. Similarly one hears of the *liquidation of an estate*.

In the case of limited companies, *liquidation* refers to the whole process of bringing a company to an end, and is virtually equivalent to *winding-up* (*which see*). A company which is in process of being wound up must add the words "*In Liquidation*" to its name. The person in charge of the winding-up is called the *Liquidator*, and some mention is made of his duties under the heading "*Winding-up*."

LISTING. (*Fr.* Admission à la Cote; *Ger.* Notierung bekommen.) A security which appears in the *Stock Exchange Official List* is said to be *listed*, and the distinction between listed and *unlisted* securities is by no means peculiar to our own stock markets. The Rules of the London Stock Exchange provide that "the Committee may order the quotation in the Official List of any security of sufficient magnitude and importance," and further, that "applications . . . must comply with such conditions and requirements as may be ordered from time to time by the Committee." These conditions and requirements are set forth in great detail; they go right back to the formation of the company whose securities it is sought to *list*; conditions are laid down as to the Articles of Association, the prospectus, the terms of trust deeds, the actual wording and appearance of share and stock certificates and bonds, whilst, in the case of shares, the original *letters of application* must be produced, together with the *Allotment Book*, and a statutory declaration by the chairman and secretary of the company in regard to the circumstances of the application and allotment of the shares in question.

It is, naturally, of some advantage to have a security officially quoted, in that it means, other things being equal, a broader market, but it must not be concluded that all unlisted securities are worthless, and perhaps it is scarcely necessary to add that the listing of a stock is no guarantee against its turning out a failure.

LLOYD'S. The name given to certain premises in the Royal Exchange building used by insurance underwriters. The term originates from the name of the proprietor of a coffee-house formerly used for a similar purpose in Lombard Street. The concern was afterwards removed to Pope's Head Alley, where it was called New Lloyd's, and subsequently, in 1773, to some rooms in the upper part of the Royal

Exchange ; the interest of it having long since been purchased of the then proprietor, it has from that time been placed under the management of a committee of the members. This institution, now known all over the world simply as "Lloyd's," is devoted mainly to Marine Insurance business, and to such business as is subsidiary thereto, such as the classification and registration of vessels, etc. As a sort of by-occupation the Underwriters at Lloyd's undertake all sorts of fantastic risks, and it is sometimes said that there is no sort of eventuality that cannot be insured against at Lloyd's, from going bald to getting triplets. See also "*Insurance*."

Lloyd's Average Bond. A *Lloyd's Bond* is a form of agreement authorised by the Committee of Lloyd's. It differs from a policy, inasmuch as a policy is issued *before* a ship sails and contains a *promise* contingent on certain eventualities. But a *Lloyd's Average Bond* supposes a ship to have returned, and to have already suffered damage ; and the object of the Bond is to protect shipowners from losses as specified in the Bond. A specimen of a *Lloyd's Average Bond* will be found in the *Appendix*.

Lloyd's Registry. Lloyd's has become in the course of many years the recognised information bureau for all the shipping of the world, and it has a special department, known as the "*Registry*," which undertakes the surveying and classification of the ships of all nations. *Lloyd's Surveyors* for a certain fee inspect vessels in course of construction, and decide in what *class* they shall be entered in the annual "*Register of British and Foreign Shipping*." Other surveys are necessary at intervals to ascertain whether a vessel is still in fit condition to remain as originally classed. All iron and steel built vessels are entered under the letter "*A*," and other distinguishing marks and numbers are added to indicate the state of the vessels' equipment. It is Lloyd's Register that gives rise to the phrase "*All at Lloyd's*," or simply "*All*."

LOAN. (*Fr.* Emprunt ; *Ger.* Anleihe.) There are two distinct operations denoted by the word *loan*. If I lend a man a sum of money, or if a friend asks me to lend him a box of cigars, or if a warehouseman asks a neighbour to lend him a piece of silk to enable him to execute an urgent order, the lender does not in any of these cases expect to have returned to him the identical money, or box of cigars, or piece of silk, but some other money, cigars, or silk of equal quality and value ; the loan would be useless to him on any other terms. In the Latin this kind of loan is called a *Mutuum*.

But if one person lends to another a book or a horse, a lawn-mower or a motor, for his temporary use, the lender always expects the *identical* article to be returned to him. This kind of loan is called in Latin a *Commodatum*. In the first kind of loan the relation of *debtor* and *creditor* is set up ; in the second, there is no such relation established,

The loans encountered in commercial life are, of course, practically all money loans. The reader must at once dispel any vague idea that *loans* are associated necessarily with *insolvency*. Many flourishing and highly respectable businesses are carried on by means of *loans* (usually in the form of *Debentures*), and the vast majority of banking operations consist of loans of one form and another.

Moneys borrowed by Governments are usually called either *Bonds* or *Stock* if taken for long periods, and *Bills* or *Notes* if for shorter date; the borrowings of companies usually take the form of *Debentures*, or *Bonds*, the term *Notes* also being used for short-term borrowings, but in the case of companies it is a little difficult to make a logical distinction between *borrowing* money by means of *debentures*, and *raising capital* by means of share issues, particularly in the case of issues of preference shares bearing a fixed and cumulative rate of dividend.

Loanable Capital and Loanable Money. Professor Nicholson has suggested a convenient distinction between "*Loanable Capital*" or money borrowed as a means of buying *production capital*, and "*Loanable Money*," or money borrowed definitely for monetary purposes; these terms, therefore, correspond with, on the one hand, the general body of wealth available for investment in new enterprises, and, on the other hand, what may be called "*Money-Market Money*" (see "*Money Market*"), or the funds kept in liquid form by the banks and used as money at call.

Loan Form. The various banks have their own printed forms, which have to be filled up and signed by any party taking a loan. Such *loan form* contains particulars of the security deposited against the loan, the period of the loan, the terms relating thereto, including, of course, an undertaking to repay at the stipulated time.

LOMBARD STREET. The name of a City thoroughfare, used metaphorically to indicate banking interests in general, although as a matter of fact by no means all the leading banks have offices there. The corresponding term in New York is, of course, "*Wall Street*."

LONG. (*Fr.* à la hausse; *Ger.* ditto.) A term widely used in Stock Exchange circles to indicate securities bought with the idea of an eventual sale (see also "*Bull*"). Thus, to be *long of shares* is to have bought them and not yet *undone* by selling. The corresponding term is *short* (*which see*).

LONG-DATED BILLS. (*Fr.* Billets à longue échéance; *Ger.* langfristige Wechsel.) Bills which are drawn for three months or longer periods, as distinct from so-called *short-dated bills* which have, say, thirty days to run. See "*Bill of Exchange*."

LONG ROOM. See "*Customs*."

LOT, LOTTERY. (*Fr.* Sort, Loterie; *Ger.* Los, Lotterie.) The

Lottery, or scheme for arriving at decisions by an appeal to the *Lot*, is of great antiquity, and is found among all peoples, even the most primitive. Associated in the earliest ages with religion, it was regarded as an appeal to the supernatural powers for guidance in affairs beyond the control or judgment of the human mind. It rapidly degenerated into a medium for mere gambling, to which purpose it has in modern times been largely applied. It is, therefore, of great importance to draw a clear distinction between a "lottery" properly so called, and "drawing by lot" or "ballot."

A *Lottery* in the modern sense of the term is a device for the distribution of prizes or privileges by an appeal to chance. They are attended with the following grave objections: (1) They divert the minds of men from the fields of industry, and foster a hope that by a stroke of fortune wealth may be acquired without labour. There is something unaccountably attractive to some minds in the thought of being one amongst fifty thousand others, any one of whom may be entitled on a given day to a sum of, say, £10,000. (2) There is always a dead loss to the subscribers of a lottery; in other words, the sum total of their subscriptions is always much greater than that which the prize-winners receive. The balance goes to the promoters of the lottery or is lost in the expenses of organising it. (3) The capital represented by the money put into a lottery is, so long as it is held in suspense, withdrawn from profitable employment in some productive industry, whilst incidentally encouraging a very unhealthy form of excitement which is certainly not conducive to industrial or commercial efficiency. It is much to be regretted that some Continental Governments deliberately employ this form of gambling in the endeavour to raise funds for certain ostensibly charitable purposes; in this country Government lotteries have been unknown for many years, although the Victory Bonds of 1919 are a step in that direction in that, if drawn, they are repayable at considerably above the issue price.

Drawing by lot, as practised in commerce and finance, stands on a totally different footing, and is based on the scientific principle of *probabilities*. It is adopted as the fairest method of assigning certain advantages to individuals when those advantages cannot be distributed among a greater number who have otherwise an equal claim. Thus, suppose a Government Loan represented by 200,000 bonds of £100 each, and that by the terms of the issue 500 of these bonds are to be paid off at par and cancelled every year. These 200,000 may all be held by different individuals, and the question must arise, whose bonds shall thus be paid off? Now the question is practically answered by putting into a bag 200,000 tickets, each bearing a number corresponding to the numbers of the bonds, and, in the presence of responsible and authorised parties, drawing out in succession 500 of them. These 500 are called in, paid off and cancelled, and the owners of them are entitled

to such benefits as result from the operation. See also "*Sinking Fund*."

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MADE BILL. (*Fr.* Billet endossé ; *Ger.* Girirter Wechsel.) *Made bills* are distinguished in commerce from *drawn bills* by having the name of a third party upon them in the character of *endorser and negotiator*. A drawn bill is a foreign bill negotiated *direct* from the drawer to a London foreign bank ; but a made bill is usually a foreign bill sent up from some provincial town to a correspondent in London, who endorses it with his own name and then negotiates it. Hence it follows that a foreign bill may be either a drawn bill or a made bill, according to the way it is dealt with by the drawer. Take, for example, the following :

Birmingham, 8th March, 1914.

£560.

Thirty days after sight pay this First of Exchange (Second and Third unpaid) to the order of ourselves Five hundred and sixty pounds sterling, value received.

BAKER & Co.

*To Mr. Adolphe Bourgeoise,
Antwerp.*

Suppose the above bill to be sent by the drawer direct to the London office of the Banque Belge, it would then be simply a *drawn bill*.

But if, instead of sending it direct to the Banque Belge, it were sent, say, to some London correspondent, and by him endorsed and negotiated, it would become a *made bill*.

It follows from the above that "all bills drawn abroad, and payable abroad, but negotiated in London, are *made bills*," since they always bear the endorsement of some London firm or correspondent.—Seyd, *Bullion and Foreign Exchanges*.

MAIL ORDER BUSINESS. (*Fr.* Commerce en détail par moyen de la poste ; *Ger.* Kleinhandel per Post.) Many large retail "stores" and dealers in specialities, patent medicines, etc., make a feature of securing a large proportion of their business by post. Elaborate catalogues and advertising devices are an important element in this class of business.

MAKING-UP. (*Fr.* Livraison contre paiement ; *Ger.* Auslieferung von Effekten gegen Zahlung.) The term *to make-up* as used in Stock Exchange circles means simply to deliver securities against payment, and if no special price or sum of money is mentioned it is understood

that the securities are to *pass* at the official *making-up price*. See below.

MAKING-UP PRICE. (*Fr.* Cours de liquidation; *Ger.* Liquidationskurs.) As explained under the heading "*Contango*," one important function of the Stock Exchange Committee is the fixing each account of official making-up prices. The Rules of the Stock Exchange provide that "the Clerk of the House shall fix the Making-up Prices of all Securities, by taking the actual Market Price at half-past eleven o'clock on each of the two days preceding the Account Day and in the case of securities dealt in in the Mining Markets on the Mining-Contango-Day also. The Making-up Prices so fixed shall be published in the *Stock Exchange Official List of Making-up Prices*. . . ." As it might be gathered from the wording of the Rule that each stock has two making-up prices each account, and mining stocks three, it must be observed that in actual practice only one making-up price is important—in the case of mining shares, that of "*Mining Day*," and for all other stocks that of the General Contango Day. See also "*Stock Exchange*," "*Contango*," "*Settlement*," etc.

MANIFEST. (*Fr.* Manifeste; *Ger.* Manifest.) A ship's manifest is a formal statement of cargo taken on board, prepared by the master and sent to the offices of the shipowners. One copy is sent to the agents of the shipowners at the port or ports of destination, and another copy is supplied to the Customs.

MARGIN. (*Fr.* Marge de couverture; *Ger.* Deckung.) The amount by which the collateral or "*Cover*" (*which see*) exceeds the advance made thereagainst. Frequently margins are expressed in percentages. Thus a banker may stipulate that on a certain loan he requires 20 *per cent. margin*; that is to say, if the amount of the loan is £10,000, the value of the security deposited as collateral must be *at least* £12,000. The margin required varies, of course, with the credit of the borrower and the nature of the security offered as collateral.

MARGINAL UTILITY. See "*Utility*."

MARINE INSURANCE. See "*Insurance*."

MARKET. (*Fr.* Marché; *Ger.* Markt.) The term *Market* has many different shades of meaning, but all are connected with the central idea of *exchange*, and it soon becomes evident that what is necessary for a market is not so much a *locality* as an *intercourse of buyers and sellers*. The fact that buyers and sellers frequently find it convenient, if not essential, to congregate in a particular spot (*e.g.*, at Covent Garden, Billingsgate, the Stock Exchange, "*Club Row*," or the Commercial Sale Rooms) tends to invest the word with a certain meaning of fixed place, but if a person says that he has a *good market* for his particular wares, he does not mean a commodious or convenient office or showroom, but

simply that he has ready access to persons willing to buy his goods. It is in this sense that one can speak of the war as having destroyed for the time being the *market* for certain commodities. Wherever buyers and sellers get into contact a market is established, although the two elements may be separated by thousands of miles of ocean ; of course, a single transaction does not constitute a market, and if the question is asked, How frequent must dealings be to constitute a market ? the answer would seem to be that where in the case of any given commodity there exist two bodies—one of potential sellers, the other of potential buyers—and a reasonable prospect of actual business being concluded, a market may be said to exist for that commodity. See also “ *Demand and Supply* ” and “ *Value* .”

To market goods means sometimes to get the goods to market, and relates to the available means of transport, the cost of packing, supervision, cartage or freight, etc. ; at other times *to market* a thing means practically to *make a market*, as, for instance, in the case of a new article or patent ; this involves the consideration of likely fields for a *selling campaign*, the relative advantages of various kinds of advertising, the price to be put on the article, the profit made by retailers on similar lines already on sale, and a hundred and one other questions of practical business policy.

MARKET OVERT. An old, legal term, meaning literally “ *open market* .” The term is retained by the Sale of Goods Act in the following connection.

The general legal rule is that where goods are sold by a person who is not the owner thereof, and who does not sell them under the authority or with the consent of the owner, the buyer acquires *no better title* to the goods *than the seller* had ; but it is expressly provided that where goods are sold in *market overt*, and according to the usage of such market, the buyer acquires a *good title* to the goods, provided he buys them in good faith and without notice of any defect or want of title on the part of the seller. Horses, however, are specifically excluded from the operation of this clause.

When, however, goods have been actually stolen, and the thief *convicted*, the property in such goods reverts in the original owner, even if subsequently dealt in *market overt*.

MARKING. See “ *Stock Exchange* .”

MARQUE, LETTERS OF. (*Fr.* Lettre de marque ; *Ger.* Kaperbrief.) *Letters of Marque* or *Reprisal* is a name given to the document issued by the Supreme Government in time of war to merchants and others, authorising them to fit out privateers or armed vessels, and granting commissions to the owners of such vessels. The prizes captured are directed to be divided between the owners and the crews. This mode of dividing the spoil is somewhat different from that in use

in former times, when the Sovereign claimed one-half of the spoil. The modern practice is adopted with a view to encourage men of substance to fit out such vessels, and to assist the Government by embarrassing and enfeebling the enemy.

MATE'S RECEIPT. (*Fr.* Reçu du bord ; *Ger.* Steuermannszettel.) When shipping goods, the merchant prepares his bills of lading and sends them to the City office of the shipowners. Meanwhile the goods themselves go down to the wharf or dock, and as they are taken on board they are examined by the Mate, or a deputy of his, to see that they are in sound condition, to check the number of packages, etc. When all the goods are on board a slip is made out stating that such-and-such goods have been received ; this is called a *Mate's Receipt*, and in the ordinary way the shipowners will not pass the bills of lading until they have the Mate's Receipt. Sometimes the Mate's Receipt bears a note calling attention to certain defects in the goods or cases, which remark will also be placed on the bills of lading unless the shipowners can be persuaded to accept a Letter of Indemnity and issue "*Clean Bills*." See "*Bill of Lading*."

MATURE, TO. (*Fr.* Echoir ; *Ger.* Faellig werden.) A bill, bond, or other negotiable instrument is said to *mature*, or arrive at maturity, at the date when it becomes payable. Hence a bill payable on demand, or at sight, matures on being presented for payment. A bill at thirty, sixty, or ninety days *after date* matures thirty-three, sixty-three, or ninety-three days after date (see "*Bill of Exchange*"), the three days of grace being added in each case. When drawn so many days *after sight*, it matures so many days after presentation for acceptance, the days of grace in this case also being added. When drawn one, two, or three *months* after date or sight, calendar months are understood ; and a bill dated 7th March matures on the 10th April, May, or June, as the case may be. It therefore follows that a sight bill ought always to be presented for acceptance as promptly as possible whenever it is desired to bring it to maturity at the earliest possible date.

MAUNDY MONEY. (*Fr.* Monnaie de jeudi saint ; *Ger.* Silberne Muenze am Gruendonnerstag ausgegeben.) Small silver coins, of the face value of 4d., 3d., 2d., and 1d., specially struck by the Mint for distribution to certain poor persons on Maunday Thursday in continuance of an ancient custom. These coins never circulate as currency, although they have a certain value as curiosities.

MEASURE OF VALUE. (*Fr.* Mesure de valeur ; *Ger.* Wertmass.) *Measure of Value* is one of the most important characteristics of *Money* (which see). Under the heading of "*Value*" it is shown that value is purely a relative term, and that without the intervention of money the only way to form an idea of the value of a given commodity would be

to compare it in turn with a certain weight or amount of every other commodity. However, quite apart from the old distinction between value-in-use and value-in-exchange, it has often been suggested that price (*i.e.*, *money value*) is not the best criterion of value, and various efforts have been made to find some other and more ideal standard, or *measure of value*, or, as Prof. F. A. Walker expressed it, “common denominator of exchange.”

As the economist may well be absolved from the task of finding a measure of *utility* (*which see*), and as there really seems no valid objection to money as a measure of value-in-exchange, the groping after some further measure of value can only be explained on the assumption that the seekers have in mind some third definition of *value*, which perhaps might be tentatively described as “*equitable value*”; the underlying idea is that if it has taken 20 imaginary units of labour and 40 imaginary units of capital to produce an article A, and has taken only 10 imaginary units of labour, and 20 of capital to produce an article B, then although in the “higgling of the market” A may sell for only 5s. and B for 7s. 6d. and although again if both A and B come into the possession of one individual, he may estimate the *utility* of B as equal to that of A, yet, nevertheless and notwithstanding, the *equitable value* (as we make bold to call it) of A is twice that of B, and presumably will remain so through the ages.

This little digression is worth while, as tending to crystallise ideas, but the fact remains that, for all practical purposes, money is *the* measure of value.

MEDIUM OF EXCHANGE. (*Fr.* Agent monétaire; *Ger.* Wechselmittel.) This, like “*Measure of Value*,” is one of the prime functions of “*Money*” (*which see*). The term “*Medium of Exchange*” is properly applied to that metal alone which forms the *standard coinage* of a nation, since all other coins and all negotiable instruments are valued in terms of that coinage. Nevertheless, as coinage mostly consists partly of metals other than that adopted as the standard, and have a definite value as a fractional part of the standard “unit of value,” it is customary to call all the metallic money in use in a community the medium of exchange. In course of time, instruments of credit, such as bills of exchange, cheques and notes, are used as substitutes for the metals, and these then take their place as Media of Exchange, but, like the inferior metals, they have their value recorded in terms of the standard unit of value.

MEMORANDUM OF ASSOCIATION. (*Fr.* Déclaration d'association; *Ger.* Zweckserklaerung einer Gesellschaft mit beschaenkteter Haftpflicht.) A company's *Memorandum of Association* is, virtually, its charter, defining as it does the objects for which the company is formed, which stated objects it may not in the slightest degree exceed.

The matters that must appear in a company's *Memorandum of*

Association are strictly defined in the Companies Acts, and may be summarised as follows :

- i. The name of the company and its location ;
- ii. The objects of the company ;
- iii. The formal declaration that its liability is limited ;
- iv. A statement as to its share capital ;
- v. The following stock phrase which precedes the signatures of the persons signing the Memorandum (" *Signatories* ") :

"We the several persons whose names and addresses are subscribed are desirous of being formed into a Company in pursuance of this Memorandum of Association, and we respectively agree to take the number of shares in the capital of the Company set opposite our respective names."

In the case of "public" companies there must be seven signatories ; in the case of "private" companies only two. See "*Limited Liability Companies*."

Great care must be exercised in the preparation of a company's Memorandum of Association (a matter usually confided to a solicitor and counsel), as no subsequent alteration of any consequence can be made without application to the Courts. In this respect the "*Memorandum*" is fundamentally different from the "*Articles*," which can be altered practically at will. See "*Articles of Association*."

A perusal of the "*Objects Clause*" of any Memorandum of Association will show that the company seems to intend to go in for every possible and impossible operation, oftentimes having only the remotest possible connection with the ostensible business of the concern. The reason for this is, as explained above, that the alteration of the Memorandum is a matter of considerable difficulty and expense, and therefore it is always endeavoured to drag in everything the company might conceivably want to do, even years hence ; thus, a small company formed to exploit a new system of nickel-plating will in cold blood insert in its Memorandum as part of its *objects* the acquisition and working of motor-buses, railways, steamship lines, astronomical observatories, etc., etc. But the stern eye of the law is not to be diverted by any such bewildering "*embarras de choix*," and can always discern one "*main object*"—so-called ; if this main object becomes for any reason inoperative the company must wind up. Thus, a plantation rubber company would, presumably, have to wind up if and when plantation rubber were knocked out of the market by the synthetic product, even though its Memorandum contemplated such side-lines as tea, gold-dust, and tinned cuttlefish.

MERCHANTABLE. Explained under "*Conditions and Warranties*."

METALLIC VALUE. (*Fr.* Valeur métallique ; *Ger.* Metallwert.) See "*Intrinsic Value*."

METRE. (*Fr.* Mètre; *Ger.* Meter.) This is one of the most important units in existence, and is the basis of the whole of the *Metric System* (see below). In itself the *metre* is a unit of length, adopted first in France, but now in general use all over the Continent. One result of the great French Revolution was the desire to reform and give uniformity to the system of weights and measures. The English *yard* and *mile* were felt to be in themselves convenient units for measuring short and long distances respectively, but the arbitrariness of the English standard was a fatal objection in the opinion of the logical French, and they set themselves the task of fixing on some unit which had some logical basis and could, if need be, be calculated afresh. With this idea in mind, the unit of length was declared to be a forty-millionth part of the earth's circumference as represented by a *Meridian*; surveyors went to work to measure a given portion of a particular *Meridian* by the method of *triangulation*, and the result of many involved calculations was the *Metre*, although there seems at the present time some doubt as to whether it is actually the precise fraction of a *Meridian* which it was intended to be. It is convenient to remember that the *Metre* is 39·37079 inches, or more than $3\frac{1}{2}$ inches longer than the English *Yard*. The relation of the *Metre* to the whole *Metric System* is explained below.

METRIC SYSTEM. As its name implies, the *Metric System* is a system of weights and measures based on the *Metre* (see above). This system has now been adopted throughout the whole of Western and Central Europe, and a strong agitation exists for its adoption in this country. Of course, local customs still struggle against the new names and new units, and even in Paris, which may be called the home of the *Metric System*, the hawkers of fruit and vegetables, and the smaller shopkeepers generally, always give prices as so many “*sous*” for a “*livre*”; in Germany, also, the old term, “*Pfund*” (pound) is still quite common.

Units of Length. The units of length in the metric system are, of course, all either multiples, or fractions, of the *metre*, and always either multiples by *tens* or fractions by *tenths*; that is to say, the metric system is strictly *decimal* in its arrangement. For the fractional parts of the main unit the *Latin* prefixes, *deci-*, *centi-*, and *milli-*, are employed, whilst for the multiples one uses the corresponding *Greek* prefixes, *deca-*, *hecta-*, *kilo-*, and *myria-*. Hence we get:

Millimetre	=	·001 metres
Centimetre	=	·01 ,,
Decimetre	=	·1 ,,
Metre		
Decametre	=	10 ,,
Hectametre	=	100 ,,
Kilometre ¹	=	1,000 ,,

(N.B.—The term “*Myriametre*” is not generally employed, all long distances being reckoned in “*kilometres*.”)

Units of Area. The units of area are formed quite normally from the units of length, but the logical sequence of the nomenclature is slightly upset by the introduction of a special name, “*Are*,” for what would in the ordinary course have been known as a “Square Decametre” (100 sq. metres). Hence the naming of the units of area is a little irregular, thus :

Square Centimetre.
 Square Decimetre.
 Square Metre.
 Are (100 Square Metres).
 Hectare (100 Ares, or 10,000 Square Metres).
 Square Kilometre (or 100 Hectares).

(N.B.—The Hectare is nearly $2\frac{1}{2}$ acres, and is the unit commonly employed in measuring land.)

Units of Capacity. The units of capacity are not, as might have been expected, cubes of the units of length, but are fractions or multiples of a new unit, called the *Litre* ($1\frac{3}{4}$ pints). Thus :

10 Centilitres	= 1 Decilitre
10 Decilitres	= 1 Litre
10 Litres	= 1 Decalitre
100 „	= 1 Hectolitre ($2\frac{3}{4}$ bushels)
1,000 „	= 1 Kilolitre

However, the unit of capacity for *scientific* purposes, not only on the Continent but in this country as well, is the *cubic centimetre*, and it is from the cubic centimetre that the Metric units of *weight* are derived.

Units of Weight. The weight of a cubic centimetre of pure distilled water at maximum density (*i.e.*, just over 4° C. is called a *Gramme*, and is the basis of the Metric weights. The *gramme* (about $15\frac{1}{2}$ grains) is too small a weight for commercial purposes, and the usual commercial unit is the *kilogramme*, which, however, on the other hand, is rather too large for what may be called the domestic trade of the marketplace. The kilogramme is equivalent to just over $2\frac{1}{3}$ pounds avoirdupois, and this undoubtedly contributes to the survival in France and Germany of the older names, “*livre*” and “*Pfund*,” referred to above, each being half a kilogramme. A further curious proof of the manner in which old units tend to survive and force themselves into any new system is afforded by the fact that—breaking through the strictly decimal form of the metric system—a unit has been set up closely corresponding to our *hundredweight*; this is the *Centner*, of 50 *kilogrammes* (just over 110 lb.), whilst the metric *Tonne* (1,000 *kilogrammes*) approximates very closely to the English ton.

It may be added that if mention is made of "*kilos*," the reference is to *kilogrammes*, not *kilometres*. See also *Appendix*.

MIDDLEMEN. (*Fr.* Intermédiaires; *Ger.* Vermittler.) A general term applied to commercial agents, brokers, factors, and others whose business it is to bring together producers and consumers, buyers and sellers, etc. The name is now but little used, owing to the taint of opprobrium attaching to it, in consequences of the malpractices and supposed avarice of the members of this particular class of individuals, but, the more highly organised commerce becomes, the greater will be the number of middlemen engaged in it, whether they go by that name or any other. See also "*Broker*."

The primary and essential duty of a *middleman* is to facilitate intercourse between producers and consumers, buyers and sellers, and, in fact, principals and clients generally, and there is, beyond all possibility of dispute, an immense variety of commercial operations which none but a skilled hand can safely conduct.

A common advertising tag of big companies is that they supply goods direct "from producer to consumer," or, as it is also expressed, that they "eliminate middlemen's profits," but when the position is analysed from the point of view of the community as a whole, it really seems to make little difference whether the price paid for an article includes the—usually quite modest—profit of the small shopkeeper, or the wages of a shop assistant employed by a big concern; true, alas, that the shop-assistant is probably a little worse paid than the independent shopkeeper, but the balance is more than adjusted by big directors' fees, supervision costs, checks and counter-checks associated with the big "self-sufficing" concern.

MINIMUM SUBSCRIPTION. See "*Allotment*."

MINT. (*Fr.* Hotel de la Monnaie; *Ger.* Muenzstaette.) A place where coins are struck. The Royal Mint on Tower Hill is the only recognised institution of the kind in this country, but it must be remembered that gold coins struck in the Australian Mints and the Pretoria branch of the Royal Mint are legal tender here. Furthermore, the manufacture of bronze coins is sometimes, when the Mint is busy, delegated to a private firm in Birmingham, a fact which explains the presence of mysterious initials on some "coppers" immediately beneath the King's head.

When—prior to the war—the coinage of gold was unrestricted the Bank of England always acted as intermediary between the bullion market and the Mint, as well as between the Mint and the population generally in the matter of putting new coin into circulation. See also "*Seinorage*."

MINT PAR. See "*Foreign Exchanges*."

MINT and MARKET PRICE OF BULLION. As applied to gold of standard fineness, the term *Mint Price of bullion* simply means the *number of coins* into which a given weight of bullion can be divided. Forty pounds' weight of standard gold can be coined into 1,869 sovereigns; therefore, 1,869 sovereigns is the *Mint Price* of 40 pounds of standard gold—that is, standard gold is worth £46 14s. 6d. per pound troy, or £3 17s. 10½d. per ounce. This latter is a well-known figure, but it must not be overlooked that the odd amount of seventeen shillings and tenpence-halfpenny has no reference to any silver or copper *token money*, but is simply a convenient way of expressing a *fraction of one whole sovereign* of standard gold. Perhaps it would be better to put it that the Mint price of gold is £3214½, or £3429.

240

480

The *Market Price of Bullion* differs from the *Mint Price* only when the coinage has been worn or depreciated. When the coins have been worn, the amount of deterioration in each coin is variable, and it is impossible to say, without weighing each one, how many of them should be exchanged for a given number of full-weight coins; in such case they are treated simply as bullion, and exchanged weight for weight. When the coinage has been debased by a dishonest Government, the value of each separate coin is more uniform, and the exchange is effected by giving a greater number of light, debased coins for a specified number of standard coins. From the nature of the case, the *Market Price* of bullion is therefore always higher than the *Mint Price*, since when the coins are diminished in weight and fineness, a greater number of them must be given in exchange for an equal weight of standard coins.

MINUTES. (*Fr.* Procès verbal; *Ger.* Bericht.) The old-established practice of taking *minutes* of meetings has now become a matter of commercial interest, in that the Companies Acts prescribe the keeping of Minute Books, and the taking of Minutes at all meetings which can bind a limited liability company, board meetings, general meetings, meetings of creditors and contributories, etc.

It is the business of the secretary of the company to take notes of proceedings and later write them out in the form of Minutes, which must then be read at the subsequent meeting and signed by the chairman of that meeting. It has been pointed out in this connection that the phrase, "The Minutes of the preceding meeting were read and signed as correct" is preferable to the phrase, "The Minutes of the preceding meeting were read *and confirmed*," since the latter wording might give rise to an erroneous idea that the proceedings of one meeting were subject to the confirmation of the following meeting (*vide* Gore-Browne). For instance, if a director is absent from a certain board meeting where a particular scheme is decided on, the fact that he is present at the next meeting and hears the Minute read relating to such

scheme does not make him responsible as supporting the scheme, although it will serve as proof that he had notice of the project.

MISTAKE. (*Fr.* Faute; *Ger.* Fehler.) An agreement may be void on account of a mistake of any of the following kinds:

- (1) In the case of error as to the persons with whom the contract is made (whenever his identity can be regarded as important).
- (2) In case of mistake as to the identity of the subject-matter.
- (3) Mistake caused by carelessness of a third person in respect of the nature and terms of the agreement, as where, for instance, a blind or illiterate person signs an agreement in writing, being misinformed as to its operation or provisions; or where an offer is made by telegram and is accepted, but through the fault of the telegraph operator the telegram does not correctly state the terms of the offer.
- (4) Where a mistake is made as to the existence of the subject-matter of the agreement. As where, unknown to the parties, it has perished before the agreement was made.

MIXED CURRENCY. (*Fr.* Circulation mixte; *Ger.* Gemischtes Umlaufsmittel.) By *mixed currency* is meant a currency consisting partly of the precious metals and partly of paper, both being made a legal tender by act or decree of the Supreme Government. That it may *flow or run* freely—that is, become *current*—it is further necessary that the paper shall at all times be convertible into gold or silver and that the gold and silver shall be convertible into paper. When these conditions do not obtain, it is either not “*mixed*,” or it is not “*currency*.”

MONETARY CONVENTION. (*Fr.* Convention Monétaire; *Ger.* Geldvertrag.) There are two groups of European nations between whose members an agreement has been entered into for the regulation of their coinage. They are called, for the sake of distinction, the *Latin Monetary Convention* and the *Scandinavian Monetary Convention*.

Latin Monetary Convention. An agreement entered into between France, Italy, Belgium, and Switzerland in December 1865 in virtue of which the coinages of those countries are of the same weight and fineness. The French *franc* and the Belgian or Swiss *franc* have therefore the same metallic value, and so, theoretically, has the Italian *lira*, but the latter seems to be a little bit suspect in the other countries of the Convention, and in any case it is advisable only to tender the higher denominations of coins—and particularly the gold coins—of one country in any other country of the Convention; nickel or copper token coins are not officially legal tender outside the country of issue,

but in the neighbourhood of frontiers token money passes pretty indiscriminately, and Belgian nickels will be accepted as far south as Lille.

The Latin Monetary Convention adopted the "Double-Standard" (see "*Bimetallism*"), but, as explained below, this has broken down.

Greece subsequently entered the Union, but the *drachma*, like the *lira*, has not quite the same good name as the *franc*. Other countries, like Roumania and many South American States, have adopted the same system without actually entering the Monetary Union. Austria-Hungary made an approach to the same system by striking off *gold* pieces of 8 *florins*, each equal in weight and fineness to the 20-franc piece. Spain also has silver pieces on bases corresponding to those fixed by the Union in 1865.

The following is a brief synopsis of the

LATIN MONETARY CONVENTION.

Art. 1. France, Belgium, Italy, Switzerland, and Greece are constituted a Union as regards the weight, fineness, and form of their gold and silver coinage.

The token coinage remains for the present unaffected, and follows the customs and laws of the respective countries.

Art. 2. The contracting parties engage to manufacture no gold coins but those which correspond with the requirements of the following table, in respect to weight, fineness, remedy, and diameter :

Nature of pieces.		Weight.		Fineness.		Diameter.
		Full Wt.	Remedy.	Fineness.	Remedy.	
frs.		grammes.	millièmes.	millièmes.	millièmes.	mm.
Gold.	100	32.25806	1	900	2	35
	50	16.12903				28
	20	6.45161	2			21
	10	3.22580				19
	5	1.61290	3			17

They receive *without distinction* into their public treasuries all gold pieces made in accordance with the preceding conditions in any of the five States, with the reservation, however, that any pieces shall be rejected whose weight has been reduced by wear and tear one-half per cent. below the allowances above indicated, and of which the impression shall have been effaced.

Art. 3. The contracting parties agree to coin no silver pieces of

five francs except of the weight, fineness, remedy, and diameter that are named in the following table :

Weight.		Fineness.		Diameter.
Full Weight.	Remedy.	Fineness.	Remedy.	
25 grammes	3 Milliém.	900 milli.	2 milli.	37 mm.

All the States of the Union agree to accept without distinction the pieces herein described with the same reservations as in Art. 2, except that *one per cent.* is the allowance for wear and tear, etc., instead of the *half of one per cent.*

Art 4. The contracting parties engage henceforward to make no silver pieces of two francs, one franc, fifty centimes, and twenty centimes, except under the conditions indicated in the annexed table :

Nature of pieces	Weight.		Fineness.		Diameter.
	Full Wt.	Remedy.	Fineness.	Remedy.	
fr. c.	grammes.	millièmes.	milli.	milli.	mm.
Silver { 2	10·00	5	835	3	27
1	5·00				23
·50	2·50				18
·20	1·00				16

These pieces are to be recoined by the Governments who have issued them, when they shall have been reduced by wear and tear 5% below the allowance above indicated, or when their impressions have been effaced.

Art. 5. The silver pieces of two francs, of one franc, of fifty centimes, and of twenty centimes, not conforming to the conditions presented in the last Article, shall be withdrawn from circulation before the first of January, 1869. In the case of Switzerland this delay is extended to the first of January, 1878, in virtue of the law of January 1860.

Art. 6. The silver pieces made in conformity with the conditions of Art. 4 shall be legal tender between private individuals in these States where they are coined, to the amount of fifty francs in one payment.

The State which has put them into circulation shall receive them from their own countrymen without limitation as to quantity.

Art. 7. The public treasuries of each of the five States shall accept the silver coins made by one or more of the other contracting States, conformably to Art. 4, to the amount of 100 francs in each payment made to the said treasuries.

The Governments of Belgium, France, and Italy shall receive on the same terms till the first of January, 1878, the Swiss coins of two francs and of one franc issued in virtue of the law of 1860, and which conform to the conditions of Art. 4.

Art. 8. Each of the Governments engages to accept from private individuals, and from treasuries of other States, the small token coins of *silver* which they have issued, and to exchange them against *current* coin of equal value (gold pieces or five-franc silver pieces) on condition that the sum presented for exchange shall not be less than 100 francs. This obligation to be in force for two years from the expiration of the present treaty.

Art. 9. The contracting parties shall be allowed to issue pieces of two francs, of one franc, of fifty centimes, and of twenty centimes only to the extent of six francs per head of the population.

Art. 10. The date of manufacture shall be impressed on all the gold and silver coins struck by the five States.

Art. 11. The States shall report annually the number of their issues, and communicate any facts relative to the circulation which may be of reciprocal interest.

Art. 12. Any other State may enter the Union provided such State accepts the obligations above described in reference to their gold and silver coinage.

Art. 13. The execution of the reciprocal engagements contained in the present Convention is subordinate as far as needs be, to the observance of the formalities and laws of each State, with the understanding that the execution shall be delayed as little as possible.

Art. 14. The present Convention remains in force till the first of January, 1880. If before that date no State has communicated its intention of withdrawing from the Union, it shall remain in force for the next fifteen years, and after that from fifteen years to fifteen years in default of formal withdrawal.

In one particular the Latin Monetary Convention may be said to have broken down. The French Government, finding that bar silver, owing to its depreciation in the open market, was brought into the country in immense quantities and coined into five-franc pieces, according to Article 3, and finding further that this silver was sent into the treasury for the payment of large sums, while gold was being exported to other countries outside the Convention, it was decreed that no more than a specified number of such five-franc pieces should be coined. The

effect of this decree was to put an end to the *free coinage of silver*, and to make unlimited payments in silver impossible, simply because sufficient silver coin was not to be obtained.

SCANDINAVIAN MONETARY CONVENTION.

The *Scandinavian Monetary Convention* dates from the year 1873, and includes Norway, Sweden, and Denmark. Up to that time silver had been the standard of value in those countries and very little gold was in circulation therè. But by this Convention gold was made the *sole* standard of value, and gold coins of equal weight and fineness were to be coined by each country, and allowed by law to circulate freely between them. The exact particulars are as follows :

Gold Coins.

Name.	Fineness.	Grammes.
20 Kroner piece	·900	8·960
10 Kroner piece	·900	4·480

Silver Coins.

Name.	Fineness.	Grammes.
2 Kroner	·800	{ 15·000
1 Kroner		{ 7·500
50 Öre	·600	{ 5·000
40 „		{ 4·000
25 „		{ 2·420
10 „	·400	1·450

The silver coins are obviously mere tokens, although the two-kroner and one-kroner pieces are much superior to the others.

MONEY. (*Fr.* Argent; *Ger.* Geld.) The difficulty of defining *money* drove Prof. Walker to the famous expedient of defining it in the phrase, “*Money is that money does.*” However, some light will be thrown on the subject by a brief notice of the attempts made at various times by other noted economists to state the meaning of the term in a concise form. Thus :

Adam Smith.—“A guinea may be considered as a *bill* for a certain quantity of necessaries or conveniences upon all the tradesmen in the neighbourhood.”

Henry Thornton.—“Money of every kind is an *order* for goods.”

John Stuart Mill.—"The pounds or shillings which a person receives, weekly or yearly, are not what constitute his income; they are a sort of *ticket* or *order* which he can present for payment at any shop he pleases."

McLeod.—"Money is a *right* or *title* to demand something from someone else. It is a kind of *Bill of Exchange* or order payable at the will of the bearer."

Bonamy Price.—"Money is in reality the '*tool of exchange*,' and it furnishes a measure of value."

The essential feature of money is that it should serve as a *medium of exchange*, in other words it is a substance or substances in use among traders, which they offer in exchange for any commodities they may desire, and which the possessors of those commodities are always willing to accept in exchange for them (subject, of course, to agreement as to quantity).

Anything which serves as a *medium of exchange* must, practically of necessity, perform the additional function of a standard, or *measure of value* (*which see*), to which commodities in general may be referred, and in terms of which they may be appraised, or their value recorded. Different communities have adopted different *media* of exchange, according to local conditions and the state of the arts. Lumps of salt of a given size, strips of cloth, cowrie shells, cows, beaver skins, discs of leather, cubes of compressed tea, whales' teeth, pieces of amber, and numberless other substances have been used at different times and places as *media* of exchange, but in the course of many centuries none have been found so suitable for commerce on a large scale as certain metals, and of these three stand pre-eminent—namely, *gold*, *silver*, and *copper*. These, from their durability, divisibility, and comparatively small bulk, are used almost exclusively by civilised nations. In course of time instruments of *credit*, such as notes, bills of exchange, cheques, etc., are used as substitutes for the metals, and then take their place as *media* of exchange, but these, like the inferior metals, have their value recorded in terms of the standard metal—gold.

It must be noticed, however, that although one of the principal reasons that have led to the general adoption of gold as the basis of monetary systems is its relative *stability* of value, it is by no means an ideal *standard of deferred payments*, since at the end of ten or twenty years the quantity of wheat, iron, wool, etc., that can be purchased with a given quantity of gold may be quite appreciably different from the quantities of those commodities which could be purchased with the same quantity of gold at the beginning of the period. How far the "*rise in the cost of living*" which took place between the closing years of the last century and the exceptional period from 1914 onwards was to be ascribed to a relative depreciation of gold is a moot point, and in any case it would be difficult to suggest any other monetary

medium which would be less liable to what may be termed "intrinsic fluctuation."

The distinguished French economist, Professor Gide, in his *Cours d'Economie Politique*, states emphatically that the *higher cost of living* about which so much was heard even prior to the war, had its explanation "nowhere else than in the enormous increase in the output of the gold-mines," which output is five times what it was twenty years previously. M. Gide pointed out that this is a phenomenon which has recurred at intervals since the days of Charlemagne, and for which the same explanation has always been forthcoming. But since 1914 the enormous issues of paper money and the disappearance of gold coin have made note production rather than gold-production the subject of discussion in relation to the "cost of living." See also "*Gold Reserve*."

To explain the relation between the quantity of money and the general level of prices (*i.e.*, values expressed in terms of money), economists usually adopt the method of supposing a state of things in which only metallic money is used for purposes of trade, in which money has no alternative uses except as a medium of exchange, and in which *all* the money is always in circulation (*i.e.*, no hoarding takes place). It is not difficult to show that in such a hypothetical state the value of money would vary inversely as the quantity of it; where, previously, the exchange of a motor-car had been effected with 200 sovereigns, it would be effected with 400 sovereigns if the quantity of sovereigns in circulation was suddenly doubled and they could not be used otherwise than by way of trade; the value of the sovereign in terms of goods would have been halved, which is only another way of saying that the prices of the goods have been *doubled*. Although under actual modern conditions may other factors have to be considered—such as the alternative uses of gold, the extensive use of notes, cheques, and other credit facilities—yet it still remains true that an increase in the supply of gold (or, what is the same thing in effect, a decrease in the requirements of circulation) tends to raise the general level of prices. See also "*Currency*," etc., and *Appendix*.

Money of Account. A distinction is sometimes drawn between *standard money*, *current money*, and *money of account*, in which case the latter term is meant to indicate those particular denominations and divisions of money in which accounts are kept and bargains recorded. Thus, in this country the sovereign is the standard money and also, largely, the current money and money of account; but in some special trades, like the piano trade, it may be said that the *guinea* (*which see*) is the money of account, although it has no concrete existence. Again, in France, the *franc* is the money of account, although the *standard money* is the gold 20-franc piece. In the Anglo-Saxon period the money actually *current*, the *money of account* and the *standard money*, or unit of value, were all different. The unit of value was the Saxon

pound of twelve ounces of silver; the principal coin of account was the shilling or twelfth part of a pound, but no shillings were coined till the time of Henry VII. The coins in circulation were chiefly silver pennies and half-pennies, which, with some token coins, supplied all the needs of the limited trade of those days.

MONEY MARKET. (*Fr.* Opérations en emprunts, escomptes, etc.; *Ger.* Geldmarkt.) As once explained by Mr. F. E. Steele, of Parr's Bank, the term *Money Market* is a misnomer, there being neither money nor market in the ordinary acceptance of those terms. For *money* it would be better to substitute *short credit*, and the word *market* must be defined as one defines a church, that is to say, as a body of individuals and not as an edifice.

The Money Market is composed of

- (a) Lenders,
- (b) Borrowers,
- (c) Intermediaries,

but these classes are by no means sharply defined, and one firm or bank may at different times exercise all three functions.

All the banks, bill brokers, financial and discount houses are parties to operations in the Money Market, but it cannot be too strongly emphasised that the latter relates only to *short-term loans*, such as are taken by bill brokers, stockbrokers, etc. Thus, the negotiation of a big Government, railway, or other loan only affects the Money Market in so far as the actual payments of the parties who subscribe to such loan have a distinct, though temporary, influence on the *price of daily money* (in other words, call money rates).

As explained under "*Banking*," it is the business of the big banks to keep a large proportion of their funds in a very *liquid* form, and the bill broker—the "*banker's jackal*"—is, from the banker's point of view, an ideal borrower. The loaning of money by the banks to the bill brokers and discount houses may be regarded as the *basis* of the money market, whilst another important element is represented by the borrowings of financial houses which finance Stock Exchange commitments. Other lenders in the Money Market, besides the joint stock banks, are the big issuing houses and the foreign banks in London, whilst the British Government often appears as a borrower, against Exchequer Bills (*which see*). The India Council is also a lender of the balances it holds in this country.

MONOMETALLISM. (*Fr.* Monométallisme; *Ger.* Einzelwährung.) That system of currency which is based on a single standard metal, and which makes that one metal only a legal tender for any and every amount. See "*Bimetallism*."

MONOPOLY PRICE. (*Fr.* Prix de monopole; *Ger.* Monopol-Preis.) A term that has acquired an almost technical significance

in works on Economics, where space is often devoted to discussing the merits and demerits of monopolies (see also "*Trusts*") and the principles which should guide a monopolist in fixing his charges or prices. Some passing reference has already been made, under the head "*Demand*," to the fact that it is not necessarily the *highest* price that will give the monopolist the *best return*, since the fixing of a lower price, if accompanied by a bigger turnover and relatively cheaper production, may bring in a bigger net profit. A good illustration of this point is afforded by the successive changes that have been made in postal and telegraph rates, and it would be an interesting theoretical study to endeavour to estimate whether the annual profit of the Post Office might be any larger if, say, a charge of sixpence was made for inland letters and, say, half-a-crown minimum for telegrams.

A monopolist may think it expedient under certain circumstances to charge discriminating prices, as, for instance, when United States or German steel combines *dump* their products here at cheaper rates than they charge in their respective home markets.

MORATORIUM. (*Fr.* and *Ger.* ditto.) The term *moratorium* is one of comparatively recent origin, used to denote the state of things which ensues when the Supreme Government or other competent authority announces a delay in the payment of all money debts, coupons due, or any other pecuniary obligations, such delay to be in force throughout the whole State or in certain provinces or towns. The purpose of declaring a *moratorium* is to prevent national bankruptcy and a general collapse of credit by legally protecting every debtor from his creditor in times of great public anxiety or danger.

MORTGAGE. (*Fr.* Hypothèque; *Ger.* Hypothek.) A *mortgage*, or *dead pledge*, says *Blackstone*, "is where a man borrows of another a specific sum (*e.g.*, £200), and grants him an estate on condition that if he, the *mortgagor*, shall repay the *mortgagee* the said sum of £200 on a certain day mentioned in the deed, that then the mortgagor may re-enter on the estate so granted in pledge, or (as is now the more usual way) that then the mortgagee shall reconvey the estate to the mortgagor; in this case the land which is so put in pledge is by law, in case of non-payment at the time limited, for ever *dead* and gone to the mortgagor; and the mortgagee's estate in the lands is no longer conditional, but absolute; but so long as it continues conditional—that is, between the time of lending the money and the time allotted for payment—the mortgagee is called "*tenant in mortgage*."

The term "*mortgage*" is now often used in a lax sense by City men to signify the borrowing of money upon securities deposited with a banker; this is more correctly described as *pawn* (see "*Hypothecation*"). It is also used to denote the anticipating of payments of debts or dividends, by borrowing a sum of money and giving an

agreement to repay the same when such debts or dividends fall due. *Mortgage*, although commonly used in these senses, is not the correct term.

In the banking world, however, mortgages have considerable importance, and every banker must be familiar with the chief points of the law relating to mortgages.

In the first place the banker distinguishes between a *legal* and an *equitable* mortgage. A legal mortgage is a properly drawn-up agreement constituting a valid mortgage of certain property, and is from the banker's point of view a good security for a loan, although possessing certain inherent defects as compared with day-to-day loans, "*floaters*," etc. It happens, however, at times that a customer wishing to take a temporary loan offers to deposit documents of title to real estate as security, but does not wish to enter into a proper mortgage. Such deposit of title is known as an *equitable mortgage*; it is, in fact, a constructive mortgage, and in the event of the default of the customer the bank could proceed to enforce the execution of a *legal* mortgage, but the delays and formalities attendant on such a course make an equitable mortgage a very undesirable form of banking security, quite apart from the consideration that it may subsequently transpire that the documents deposited by way of equitable mortgage are already subject to a legal mortgage elsewhere.

Foreclosing. It is commonly thought that *foreclosing* means taking possession, but it should be carefully noticed that in law the mortgagee is already the owner of the mortgaged property, subject to certain rights of redemption on the part of the mortgagor, and *foreclosure* is, technically, the *taking away of the right of redemption*.

A mortgagee has always the right to sell a legal mortgage, whether that right is expressly contained in the agreement or not.

Bills of Exchange as Mortgages. There is another use of the word "*Mortgage*," which, if not convincing to the lawyer, is instructive to the commercial student, and therefore worthy of notice. In his *Principles of Banking*, Mr. Thomson Hankey writes:

"A relative of mine, C. Poulett Thomson, many years since used to say to me that nothing was easier to conduct than the business of a banker, *if he would only learn the difference between a mortgage and a bill of exchange*. This saying may appear absurd, but I believe it is full of wisdom. It may be supposed that anybody accustomed to such matters must know the difference between a mortgage and a bill of exchange, but the confusion easily arises, and I am convinced that if anyone were critically to examine into the origin of a large part of what are ordinarily called bills of exchange, they would find them to be nothing more than mortgages; they may be promises to pay; so such a document is indeed provided and given with every mortgage of land, but there is no ordinary provision incident to the document which will secure that on the date of the bill becoming due there will be assets

forthcoming to meet it. An ordinary bill of exchange has such a provision or security; it is based on the transfer of capital in some shape or other in a manner which contemplates that at a fixed date such capital will have passed into the required hands, and that means will be provided to meet it. Even all ordinary banking bills are founded on such a supposition. It is a transfer of capital to be met by special provision at a particular day. Now, a bill of exchange, which I call for this mere explanation a mortgage, is based on no such expectation, for example:

"1st January, —"

"Six months after date pay to the order of — £5,000,
value received as per contracts.

"A. B.

"To the — Railway Company.

"This bill, drawn by a railway contractor, will become due on the 1st July. The railway company will have no cash in hand to pay the bill unless they are able, as they intend, to raise it on debentures—that is, borrow the money from some capitalist to enable them to meet this engagement.

"Sunderland, 1st January, —"

"Six months after date pay to the order of — £3,500,
value received in ship —."

"C. D.

"To —, Shipowners.

"The acceptors, shipowners, intend to provide means for paying this bill by mortgaging the ship.

"1st January, —"

"Six months after date pay to the order of — £2,000,
value received as per contract.

"E. F.

"To —, Builders, Pimlico.

"This bill of £2,000 is intended to be paid by borrowing the money from some insurance company on this and other blocks of houses now under construction.

"Liverpool, 1st January, —"

"Three months after date pay to the order of — £10,000,
value in cotton, ex *Victoria* and *Jupiter*.

"G. H.

"To —, Brokers, Liverpool.

"The cotton here referred to is in course of shipment from America, and when it arrives it will be put into the hands of the acceptors of this bill of £10,000, who will then be enabled to borrow money from his bankers by pledging the dock warrants.

"These four transactions I consider mortgages, but the bills referred to are called bills of exchange."

It would appear from the above examples, and the explanations appended to each, that Mr. Hankey considered every so-called bill of exchange a simple mortgage when nothing on the face of it shows that provision is made to *secure* the payment of the bill when it becomes due; but that in every bill of exchange, properly so-called, there is something on the face of it which shows that such provision is made, and that the certainty of such provision being made is what constitutes its security and gives it its value.

MORTMAIN. (*Fr.* Mainmorte; *Ger.* Veraeusserung an eine geistliche Koerperschaft.) Property is said to be sold or transferred in *mortmain* when it passes into the hands of a corporation. As these purchases were originally made chiefly by religious houses who held the property in trust, and as these corporations never die, though the individuals composing them do, lands once held by such corporations never again reverted to the King or to the Feudal Lord; "in consequence whereof," as Blackstone expresses it, "the lands become perpetually inherent in one *dead hand*," and occasioned the general appellation of *mortmain* to be applied to such alienations, and the religious houses themselves to be principally considered in forming *statutes of mortmain*. The design of such statutes was to prevent the accumulation of real property in the hands of ecclesiastical corporations and other religious bodies, so as to be applied to "superstitious uses."

In recent times these laws have been much relaxed, and a man may give lands, notwithstanding the statutes, for the maintenance of a school, or the sustenance of poor people, or any other *charitable* uses. "But," says Blackstone, "as it was apprehended from recent experience that persons on their deathbeds might make large and improvident dispositions even for these good purposes to the disherison of their lawful heirs, it is therefore enacted by the Statute of 9 Geo. II. c. 36, that no lands or tenements, or money to be laid out in the purchase thereof, shall be given or conveyed or anyway charged or encumbered, in trust for, or for the benefit of, any *charitable* uses whatever, unless by deed indented, executed in the presence of two witnesses, twelve calendar months before the death of the donor, and enrolled in the Court of Chancery within six calendar months after its execution." It is this last clause which the general public ought to understand, as well as the reason for it. All other matters connected with the law of *mortmain* are better left to be dealt with by the professional lawyer.

MULTIPLE TELEGRAMS. (*Fr.* Télégrammes multiples; *Ger.* Vervielfaeltigte Depeschen.) It may happen that a business man wishes to send one identical telegram to several different persons or firms, or to several branches of the same firm. Such messages are referred to as *multiple telegrams*, and it is possible to get reduced terms from the Post Office when such multiple telegrams are for the *same town* or telegraph office,

In 1914, certain firms had established themselves at the terminals of the transatlantic cables (notably at Emden), and for a small charge undertook the transmission of a cable to a list of addresses previously given, at *inland rates*. Thus messages could be sent from the United States or this country to twenty different Continental firms at the cost of *one* message at the *foreign* rate and *twenty* at *inland* rates, plus the small commission of the intermediary house. Probably this system will revive when cables become less congested and the final war restrictions removed.

N

NAPOLEON. The French 20-franc gold piece. Owing to the scrupulous care with which the Mint regulations of France were carried out, Napoleons were much in favour among merchants and bankers all over Europe, and their price was regularly quoted at most of the houses. The Napoleon should weigh 6·45161 grammes, and the gold is nine-tenths fine. Its metallic value in sterling is £·79286, or 15s. 10½d.

NATIONAL DEBT. (*Fr.* Dette Nationale; *Ger.* Staatsschuld.) On 31st March 1914,, the British National Debt stood at a total of £707,000,000, of which Floating Debt (Exchequer Bonds and Treasury Bills) accounted for £35,000,000.

The 1919 Budget showed a total National Debt of £7,435,000,000, of which Floating Debt accounted for about £1,750,000,000.

In the Financial Statement 1919-20 the *National Debt Services* (*i.e.*, payment of interest) were estimated for that year at £360,000,000.

The Votes of Credit during the War period were as follows :

1914-15 (8 months)	£362,000,000
1915-16	£1,420,000,000
1916-17	£2,010,000,000
1917-18	£2,450,000,000
1918-19	£2,500,000,000

Total £8,742,000,000

of which £1,465,000,000 was lent to Allies and £218,000,000 to the Dominions.

NEGOTIABLE. (*Fr.* Négociable; *Ger.* Uebertragbar.) In order that a document may be *negotiable*, it is necessary not only that it be *transferable*, but also that the transferor has power to convey a *good title* to the transferee.

The term is usually found in the phrase "*Not negotiable*," as applied to cheques. See "*Cheque*."

Bills of Exchange are negotiable; Dock Warrants, Bills of Lading, etc., are transferable by endorsement, but not, technically, negotiable;

Postal Orders are, strictly speaking, not transferable, and therefore certainly not negotiable.

NEGOTIATION, MATTER OF. (*Fr.* Pas de marché regulier; *Ger.* kein regulaerer Markt.) When a Stock Exchange security has not an active market, it is sometimes quite impossible to get the jobbers to make a price (see "*Stock Exchange*"), and business is said to be a *matter of negotiation*.

NET. (*Fr.* Net; *Ger.* Brutto.) Explained under "*Gross*."

NEW STYLE (N.S.). (*Fr.* Nouveau style; *Ger.* Neuer Styl.) A short and convenient name given to that change in our chronology which resulted from the adoption of the Gregorian in place of the Julian Calendar.

The Roman Calendar, in which our own originated, and which was in use from the time of Numa to that of Julius Cæsar, consisted of 13 months, or 355 days. This *lunar* year was about $10\frac{1}{4}$ days shorter than the solar year, so that the end of one year and the beginning of another fell upon all seasons in turn, and would have caused great inconvenience had it not been for the shifts and expedients enforced by priests and magistrates in order to bring chronology into accord with the business of life, and especially with the demands of agriculture. In spite of all efforts, however, the confusion had become so great in the time of Julius Cæsar, that in order to make the year 45 B.C. commence on the 1st January it was necessary to prolong the previous year and make it consist of 445 days. The Julian Calendar being thus inaugurated, the adoption of the simple rule of reckoning 365 days to every ordinary year, and 366 days to every fourth year, or leap year, served the purposes of chronology for fifteen centuries; at the end of which time certain small errors in the Julian system had accumulated to such a degree as to render a correction necessary. It assumed that the tropical year—that is, the interval between two successive arrivals of the sun at the vernal equinox—consisted of $365\frac{1}{4}$ days, whereas the true value is 365.24224 days.

The intercalation of one day in every fourth year is therefore a little too much. At the end of the 16th century these trifling errors had amounted to 10 days, when Pope Gregory ordained that the 4th of October, 1582, should be called the 15th October, 1582, and, to prevent similar errors in future, he further ordained as an addendum to the Julian rule that every year divisible by 100, but not by 400, should consist of 365 days; and every year divisible by 400, again, of 366. This change is what is denoted in chronology as the *new style*, but in the "*spacious days of Queen Elizabeth*" England was much too insular and contemptuous of Continental ideas to adopt the new Calendar, which even nearly two centuries later (1752) was only brought into use here in the face of grave public rioting and surly shouts

of "Give us back our eleven days!" by the ancestors of the opponents of the Daylight Saving Bill. Owing to the religious antagonism between the Greek Church and the Roman, the Christians adhering to the former (*i.e.*, Russia, Greece, and the East generally) regarded the Gregorian ordinance as a usurpation of authority on the part of the Roman pontiff; they therefore refused to adopt it, and Russia—as every merchant knows to his irritation—continues to use the Julian Calendar, or *Old Style*. The difference between the dates in the Old Style and the New is, of course, always increasing. It now amounts to 13 days, and will remain at this significant figure till the year 2100.

NOMINAL. (*Fr.* Nominal; *Ger.* Nominell.) This term is of frequent occurrence in business, with slightly different meanings. Thus, *nominal value*, as applied to securities, means their *face value*, as distinct from their market value; as applied to coins, it means their value as currency, or rather the value as currency ordained by the Supreme Government, as distinct from their actual *metallic* value, a very different matter in the case of silver and bronze token money.

Nominal Exchange is that rate of exchange which is based upon the moneys of the respective countries, and not on the reciprocal demand for bills of exchange (see "*Foreign Exchange*"). It is therefore closely connected with what is more commonly called the *Mint Par* of exchange, but differs from it, inasmuch as it involves a comparison of the fluctuating values of gold and silver: and when a paper currency enters the calculation, the depreciation to which most currencies of that nature are subject.

Nominal Quotation. When to a quotation is added the word "*Nominal*" the meaning is that the quotation must not be taken as an actual dealing price, but is only a sort of general indication as to the figure at which business might be done. In this sense "*Nominal*" is practically equivalent to the term "*matter of negotiation*."

A *nominal amount*, or *nominal charge*, means a small sum, the implication being that it is not asked for with a view to profit, but merely as a matter of principle or for purposes of registration.

NOTARY. (*Fr.* Notaire; *Ger.* Notar.) The Notary of ancient times was simply one who took down the words of a speaker in a rapid or short-hand. The *Notarii*, as they increased in ability and raised themselves above their original condition of slavery, gradually assumed the duties and functions of the *tabelliones*, a class of writers who, under the Roman law, were employed in drawing up contracts, wills, and commercial documents; and the work which fell to them in this capacity corresponded very closely to some of the business now undertaken by the modern *Notary Public*, the *Solicitor*, *Attorney*, and *Conveyancer*.

In modern practice the business of the Notary is more specialised. He is generally called in to attest signatures in deeds, contracts, affidavits, declarations, and especially such as are to be sent to foreign

countries. The noting and protesting of bills of exchange is almost entirely given over to them. They also draw up *protests* after receiving the affidavits of mariners and masters of ships; and the administering of oaths is a business which they share with magistrates, Justices of the Peace, and other public functionaries.

From an old document, bearing date 1574, it appears that the Company of Notaries in London at that time numbered *sixteen*, and that they got their living by the "Making of Policies, Intimations, Renunciations and other Writings," for the doing of which a monopoly had just been granted to one Richard Candler. This document is curious as showing the number of notaries employed at that time, and also as indicating roughly the kind of duties which fell within the scope of that profession. Since then, not only has the number of notaries increased, but the duties undertaken by them have become more clearly defined and somewhat more extended in their range.

NOTE. (*Fr.* Billet; *Ger.* Schuldschein.) In commercial law the term *Note* is applied to *promises* to pay, and is thus distinguished from a *bill*, which is an order to pay. In effect, therefore, *Note* is equivalent to *Promissory Note*. See also "*Contract Note*," "*Bank of Issue*," etc.

NOTING A BILL. (*Fr.* Noter, protestation; *Ger.* Notierung.) See under "*Dishonour*."

NOT NEGOTIABLE. See "*Negotiable*."

NOVATION. (*Fr.* Novation; *Ger.* Neuerung.) The substitution of a *new* debt for a former one. A familiar case is when the holder of a bill is not prepared to meet it with cash when due and gives a fresh bill in place of it. *Novation* also takes place when a debtor, instead of paying a debt, transfers to his creditor a debt due to himself; thus, the payment of debts by cheques drawn on a banker are examples, technically speaking, of *novation*, because by the passing of the cheque a debt payable to the bank's customer is transferred to the new creditor—that is, the person who receives the cheque. Among the Romans (from whom the term is derived) the *novatio* was a process of some importance. As debts, before the invention of written instruments of exchange, were not transferable by manual delivery, it was necessary that the three parties to a transfer, namely the creditor, debtor, and transferee, should meet together in person. They then entered into an agreement before witnesses, and the creditor transferred his claim against the debtor to the transferee. "The contract established between the transferee and the original debtor was termed a *novatio*, and the assignment of the debtor to the transferee as a new creditor was termed *delegatio*."

It must be noticed that whereas a creditor can assign his rights

against a debtor without the consent of the latter, a debtor cannot assign his liability to a third party without the assent of his creditor.

O

OBLIGATION. (*Fr.* and *Ger.* ditto.) *Obligation* has two meanings in the original Latin, and also in its modern applications. (1) It signifies the *relation* of a debtor to his creditor, whether it be in regard to a debt of honour, or service, or of money. (2) It is applied to *documents* in which an obligation is recorded, as, for instance *Bonds* and *Debentures* (*which see*). The fundamental notion borne by the term *obligation* is that of a tie between two parties of such a nature as to confer on the one a power of compelling, by action, the other to give, do, or make good something. There are two main sources of obligations: *Contracts*, in which the debtor is bound by having undertaken to be bound, and *Delicts*, in which he has done an injury and is bound to make good his wrong.

OFFICIAL LIST. (*Fr.* Liste officielle; *Ger.* Offizielle Liste.) Means the daily or weekly lists of prices issued with the authority of the Committee of the London Stock Exchange (*which see*). See also "*Listing*."

OFFICIAL RECEIVER. (*Fr.* Sequestre; *Ger.* Konkursverwalter.) A person nominated by the Courts to administer a bankrupt estate. In the case of insolvent companies the law provides that the Receiver may, with the sanction of the Courts, borrow money for keeping the business going, and that such loans take precedence of existing debentures, but this power is seldom exercised here, although in the United States receivers think nothing of piling up loans of millions of dollars in front of the debenture-holders.

OLD STYLE (O.S.). The Julian, as distinct from the Gregorian, chronology. See "*New Style*."

OPEN. (*Fr.* Ouvert; *Ger.* Offen.) The term *open* has many different meanings as an adjective applied to various commercial phrases; the following examples will serve to illustrate the general significance of the word.

Open Account. An account not balanced off, or *closed off*, or, sometimes, an *active*, as distinct from a *dead, account*.

Open Cheque. An *uncrossed* cheque, payable to *bearer* or to *order* on presentation. See "*Cheque*."

Open Credit. Open credits are defined as credits given by bankers to their customers without personal guarantees or deposit of securities. An open credit, therefore, closely resembles a fiduciary *loan*, the

principal difference being that in a loan a sum of money or cheque is handed over to the borrower, while in the case of a credit an entry is made in the books of the bank to the credit of the client, against which he can draw.

Further, the term *open credit* is sometimes applied to certain forms of letter of credit (*which see*), of which the holder is not bound by the conditions specified to claim only a stated amount at a time or at one particular place.

Open Order. Orders given to commercial houses or to stock-brokers are, as a rule, only intended for immediate or prompt execution, but it happens occasionally that an order is given *firm*, or *good*, or *valid* for a stated period, say one week, or even one month or longer; in such case, during the period for which the order remains *in force*, it is said to be an *open order*. See also "*Stop-Loss Order*."

Open Policy. Another term for "*Block Policy*" (*which see*): If there is any difference between an open and a block policy, it is that the latter is given for the payment of a fixed amount not subject to reduction, whereas the amount paid for an open policy may, if so stipulated, be subject to eventual rebate of "*short interest*" if the value insured thereunder does not reach an agreed minimum. In the case of both block and open policies, *excess insurance* will in any case be charged over an agreed maximum.

OPTION. (*Fr.* Prime; *Ger.* Praemie.) This term is applied to certain Stock Exchange transactions which can be briefly explained as follows:

If a person has reason to believe that a certain stock will go up in price, he can, as explained under "*Bull*," buy the stock *for the rise*, and by selling out at the higher price secure the difference in the quotation as profit. However, to buy the stock outright requires the possession of sufficient funds to cover the purchase, or at least a command of credit to that amount, and represents a *lock-up* of an amount of capital equal to the countervalue of the stock dealt. Our optimist has, however, an alternative method of profiting by a rise in price. Instead of actually buying the stock, he can buy a *Call* on the stock at a stated price, to be *exercised* at a stated period.

To take a concrete case. X has what he regards as good reason to believe that the price of copper will improve substantially in, say, the next three months, and that the quotation for Anaconda shares will rise in sympathy. It is now, say, December, and Anacondas are at \$70 per share. With the eye of prophecy X sees a price of, say, \$80 by the end of February, and is prepared to stake £150 on his opinion. For this £150 he could *buy* only 10 shares, and—assuming he could at the end of February sell out at \$80—his profit would be ten times \$10, or £20. Now, suppose, on the other hand, with his £150 X buys a *Call* per end of February on Anacondas. The *Call* would cost, say, \$3

per share ; that is to say, for every \$3 paid now in December, he will have the *right* at the end of February to *call* (i.e., to buy from his counterparty) one share at \$70. With his £150 X can buy the *Call* per end, of February on no less than 250 shares. Assuming, as before, that the price by the end of February is \$80, he will then *call* the 250 shares at \$70, and simultaneously sell them in the open market at \$80, making a profit of £500, plus any dividend paid on the shares since the date the option was dealt. It is clear from this example that operating by means of a *call* option, the profit made is 25 times as much as if so-called *firm stock* had been bought and subsequently sold.

Similarly, if a person believes that a stock is going to fall, he can, instead of *going bear of firm stock* (see "*Bear*"), buy a *Put* on the shares for a stated future time, say three months ahead. Thus, if the *Put* on Anacondas in December per end of February is \$3 per share on the present price of \$70, £150 will buy the *Put* on 250 shares. If, then, by the end of February, the price is down to \$60, the buyer of the option *puts* the 250 shares on to his counterparty (in other words, *sells* them) at \$70, and *covers* his sale in the open market at \$60, realising a profit of £10 per share, or £500.

Having given these rough examples, it will now be easier to attempt intelligible definitions.

A *Call* is the right to *buy* shares at an agreed price (usually the ruling market price at the time the option is dealt, plus interest) at a *fixed* future time. The consideration paid is technically known as *call money*.

A *Put* is the right to *sell* shares at an agreed price at a fixed future time.

A *Put-and-Call* is the combined right either to buy or sell, and always costs exactly twice the price of a call or put. The *Put-and-Call* (or PAC) is sometimes known as the *double option*, and in America as a *straddle*.

Option Declaration. The idea is very prevalent among the uninitiated, and is encouraged by the wording of *bucket-shop* circulars, that an option can be *exercised at any time* prior to the fixed future date ; but this is not the case. The distinction is, of course, immensely important. Thus, to revert to the example given above, the buyer of the *call* on Anaconda shares per end of February cannot call his 250 shares, say, on January 20th, if the price happens then to be \$90 ; he must wait until the end of February, even if in the meantime he sees the price recede to, say, \$80.

Of course, there are options which are exercisable at any time within a stated period, as, for example, options on large *blocks* of shares granted by a company or its financial agents to certain brokers or dealers, but ordinary options dealt on the Stock Exchange for a certain future settlement are exercisable only at that settlement, on the business day preceding the "*mining contango*" or "*general contango*," as the case may be (see "*Settlement*"). Such day is called the

Option Declaration Day, and the holder of an option for that particular settlement must then *put* or *call* the shares, if the current market price makes it profitable for him to do so. If the option is *not* exercised, it is said to be *abandoned*.

Call of More. Sometimes shares are bought with what is termed a *call of more*, which means that the buyer has the right to *call*, on some specified future date, an *equal* number of shares at the *same price*. This method of dealing is more common on the Continent than here, and is sometimes elaborated into a *call of twice more*, a *call of thrice more*, etc.

Fancy Options. The price at which the buyer of an option will eventually have to *call* or *put* the shares is usually the price ruling at the time the option is dealt, plus interest to the date for which the option is fixed. Sometimes, however, the buyer of an option wishes—for some special reason—to have the price at which the shares are eventually to be *called* or *put* either higher or lower than the normal. In that case the *option money* will need adjustment accordingly, and such a transaction is called a *Fancy Option*.

[N.B.—Option dealings have been suspended during and since the war.]

ORDER. (*Fr. and Ger. Ordre*.) The phrase *to order* is an abbreviated expression covering any of the following, viz.: “In obedience to the order,” “In obedience to *his* order,” “In obedience to *her* order,” “In obedience to *their* order,” “According to order.” To novices the phrase is mostly unintelligible, and it is probable that many who are not novices use it many times a day without any clear idea of its origin. The manner in which the order is given, too, is a little curious, and is another of the many abbreviated forms which pass current in the commercial world. Take, for example, a banker’s cheque payable “to order.” On the face of it we see, “Pay to Messrs. Bullion, Bros. & Co., or order,” the sum of, etc. And how is the *order* given by Bullion Bros.? Why, by simply writing their name on the back of the cheque.

By the insertion of the words “*to order*” a bill or cheque is rendered negotiable according to English law. Without this addition (or the words “to bearer”) the transferee could not sue the debtor in his own name.

The term *or order* means *or to order*, and its origin is found in the practice of merchants of old time, who were not allowed to pay a debt to anyone but the *payee* himself; or, as was afterwards provided, “to his certeyne attournai,” or to “his assignee,” or to “his certain order” (that is, to the clearly ascertained order of the payee). These phrases gradually gave way to the short and now familiar term, “*or order*.” See also “*Endorsement*.”

ORDINARY SHARES. See “*Shares*.”

ORIGINAL BILL. (*Fr.* Billet original; *Ger.* Originalwechsel.) Bills which have been drawn and sold before any endorsements have been added. It is only when original bills have been *drawn* and *accepted* by first-class houses that a good price can be obtained for them. If the drawer and acceptor of an original bill be comparatively unknown, the buyer of such bill will not pay for it until time has been allowed for inquiries, and to compensate for his trouble he offers an inferior rate for it. When a bill has one or more endorsements, and any well-known name of high repute is among them, the obscurity of the original drawer and acceptor is of minor importance. Hence the value attached to bills with numerous endorsements since every endorser is placed in the position of a guarantor of the soundness of the bill to which his name is appended.

OVER-PRODUCTION. (*Fr.* Excès de production; *Ger.* Ueberproduktion.) This term is very loosely used by all sorts of people to explain all sorts of economic phenomena which can possibly be ascribed to any supposed excess of supply over demand. Thus there can be, and has been, over-production in the boot trade, as far as the operatives in that particular industry are concerned.

By economists the term *over-production* has long been employed in dealing with those convulsions of trade called *panics* and *crises* (*which see*). As it is essential that the reader should be perfectly definite in his ideas on this subject, it is advisable to deal with the question of over-production in three phases:

1. Over-production may take place in one or two commodities only. This, although a serious matter to those persons specially employed in the production of those commodities, does not affect to any appreciable extent the nation in general, and it is, in fact, rather an advantage than otherwise to get exceptionally cheap steel or cotton goods, particularly if it is a case of *dumping*, where the drawbacks of over-production are experienced only in the foreign country of origin. Capital and labour will in such cases be transferred to some other branch of industry, or kept idle for a time, and business will then resume its normal course.

2. A much more disastrous form of over-production is that in which several of the large staple industries of the nation are unduly developed. An example of this occurred in this country during the five years which followed the outbreak of the Franco-Prussian war. A great stimulus was imparted to English trade during that period, and railways, ironworks, coalmines, cotton mills, and numerous subsidiary industries were forced into unusual activity. But a moment at length arrived when it was found that enormous sums had been expended in the accumulation of *fixed capital* in the form of railways, iron furnaces, new coal-shafts, mills, etc., for which no return could be made till after the lapse of years; at the same time immense stocks of goods had been

manufactured, at first under the stimulus of a brisk demand and afterwards in the hope of a continued demand. Had all this activity been paid for out of *profits* and *savings*, no evil would have resulted; but the lamentable fact was that the greater part of it was due to an *abuse of credit*. Services were paid for by means of bills; bills were discounted, and with the proceeds additional enterprises were started, and this went on in the sunshine of an apparent prosperity till a cloud began to gather. That cloud was a suspicion on the part of those who *lent money*—or sold credit—namely, bankers—that it would not be safe to carry their discounting operations much further, a suspicion aroused probably in the first place by learning that here or there some great manufacturer or contractor had a difficulty in taking up his bills when they fell due. A suspicion of this kind soon spreads, and bankers under those circumstances begin to contract their *facilities*. Failures occur, and then everyone is on the *qui vive* to learn who is likely to go next. Then comes the *crisis*, and happy is the community if the crisis does not break out into unreasoning *panic*. Whether it goes to that length or not, a crisis is sure to be followed by great depression, and it is a long time before confidence is restored. Meanwhile, trade languishes, wages fall, and large numbers are thrown out of employment; it is not till past troubles are to some extent forgotten that the energies of the trading community revive and business resumes its normal course. The remedy for this evil lies with bankers and those who deal in credit rather than with manufacturers themselves.

3. There is, further, the supposititious case of *universal over-production*, that is, the over-production of all kinds of commodities. The cruder arguments against machinery have been stilled, since a large proportion of the community now gets its living in connection with the manufacture or tending of machinery, but amongst the less educated classes there is still a vague idea that if machine production makes many more advances the community will suffer some sort of economic apoplexy. Perhaps that matter is best dealt with by stating at once the *reductio ad absurdum* in the words of a working man who attended a discussion at Toynbee Hall: "When machinery is brought to such a pitch that *everything* required can be produced by *one man* turning a handle, we shall all be unemployed!" This brings us at once to the real interest attaching to the question of over-production in all its phases, namely, the fear at the back of the mind of each individual that he personally will be *turned off* in the event of over-production and that, having no wages, he will be unable to participate in the plenitude of commodities. It needs, however, little argument to show that any machine or device which enables the same work to be performed with half the labour must benefit the community in general, and if one thing can safely be deduced from the economic history of the nineteenth century it is that as, by improved methods of production, existing "wants" are more easily met, other "wants" inevitably

arise, and as concrete examples one need only mention such trades as engineering, railways, electrical industries, motor and cycle trades, not to speak of the skilled and highly-organised textile operatives who in Lancashire and Yorkshire tend the machines their ancestors were so determined to wreck.

It would seem, therefore, that over-production in general is simply a bugbear ; in so far as improved methods tend to increase the production of a particular commodity, that commodity will tend to get cheaper, to the joy of consumers as a whole ; whilst if an invention does away with demand for labour in a certain branch of industry, it is absolutely certain, in the light of past experience, that the labour displaced will be absorbed in supplying some new want.

The steady advance in the ease and variety of *production* is really the underlying reason for the growth in importance of *exchange* throughout the ages, and accounts also in a large measure for the increasing prominence given to problems of *distribution* (*which see*).

OVER-RIDING COMMISSION. See "*Underwriting*."

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PANIC. (*Fr.* Panique ; *Ger.* Panik.) A *Panic* in commerce is an unreasoning and uncontrollable fear which often seizes a trading community on the occurrence of a financial crisis (*which see*). The effects are often most deplorable, and multitudes who can ill afford to lose their scanty possessions rush into the market to buy or sell, or to withdraw their deposits from banks, just at a moment when common sense or the most ordinary discretion would dictate absolute abstention from any action whatever, and not infrequently would counsel a course of action the very opposite of that pursued under the influence of a passing fright. Fortunately we in this country have been spared anything in the way of a panic for many years, although the scenes attendant on the failure of such a minor institution as the Birkbeck Bank serve to convey an idea as to what a widespread panic would mean to the community.

PAPER CREDIT. (*Fr.* Papier-monnaie ; *Ger.* Kredit in Form von Noten, Wechsel, Bucheintragungen, u.s.w.) Orders or promises to pay a stated sum of money recorded on paper. The term, as commonly used, includes book debts, I.O.U.'s, and instruments of credit of all kinds.

PAPER CURRENCY. (*Fr.* Papier-monnaie ; *Ger.* Papierwährung.) This term is employed technically with a restricted meaning which it is important to distinguish, since it is a curtailed expression for what is

more correctly called a *Forced Paper Currency* or an *Inconvertible Paper Currency*. See "*Inconvertible*."

Although in those countries where a gold or silver standard is adopted *paper money* (see below) is in constant use, and forms part of the *currency*, there is another sense in which the term *paper money* or *paper currency* is used, and which separates it from all other forms of paper employed as a medium of exchange. The word *inconvertible* is adopted to indicate this form of paper money, and the propriety of so describing it is seen by comparing it with other forms of paper money. Thus, a Bank-note, a Bill of Exchange when due, an Exchequer Bill or Bond, must be paid in cash if demanded. In other words, instruments of the kind enumerated may be "converted" into cash whenever demanded by the holder of the document. Paper money and paper currency of this nature is for this reason called "convertible." It sometimes happens, however, that Governments, owing to wars or other adverse circumstances, are much straitened for want of money. They then print notes in great quantity, and pay their debts with them, thus distributing them to their immediate creditors. These State creditors also pay their obligations to their creditors with the same paper. On their face is the usual promise to *pay on demand* the amount stipulated, but it is well known that payment on demand is impossible at the time, and that such payment can only be made at some *future time*. Notwithstanding this drawback, the Government declares these notes a *legal tender*, so that when offered to a creditor they constitute a legal discharge of a debt. As this operates as a sort of compulsion on a creditor, paper money when made legal tender under such circumstances is called a *forced paper currency*. Further, since no one will pay in gold or silver, which is scarce, when paper, which is plentiful, can be made to do duty for it, it follows that paper becomes *inconvertible*. The characteristics of a "Paper Currency," properly so called, are therefore that it is made a *legal tender*, and that it is thus *forced* into circulation, becoming thereby *inconvertible* into metallic money except at a discount.

PAPER MONEY. (*Fr.* Papier-monnaie; *Ger.* Papiergeld.) A general term applied to instruments of credit which pass readily from hand to hand in lieu of metallic money. (See "*Money*.") It applies to Currency Notes and Bank-notes *par excellence*; to commercial Bills, to Promissory Notes of good character, and to a limited extent even to commercial paper of inferior reputation. The advantages of using paper money in lieu of coin are manifold, but the following are among the most conspicuous.

i. *Portability*. A thousand sovereigns is a very inconvenient sum to carry about, and silver of an equal value would form a heavy load, but a Bank-note or Bill for the same amount would lie in one's waistcoat pocket and be scarcely felt.

ii. *Economy of Time* in counting, weighing, etc. To count a thousand pounds in gold occupies a considerable time, in the absence of the necessary bankers' scales; the value of a Bank-note or Bill can be seen at a glance.

iii. *Security*. Coins, if stolen or lost, cannot afterwards be easily identified, and are difficult to recover. A Note or Bill, being numbered and otherwise marked, is not so attractive to a thief, and in case of accidental loss is more easily traced.

iv. *Saving of Interest*. By employing a comparatively valueless material like paper instead of a valuable metal like gold, there is a saving of interest in so far as the amount of paper money exceeds the amount of metallic money kept in reserve to meet it.

v. *Freedom from Wear and Tear*. But there is a clear gain also in the use of paper even when gold and silver are kept in reserve to meet it. The precious metals suffer little from wear and tear (see "*Abrasion*") when stored in the vaults of a bank, whereas the loss by abrasion on the total coinage in circulation is very serious, and forms an important set-off against the cost of the paper and printing of Notes.

vi. *Cleanliness*. Some American and Continental Notes in circulation are undeniably dirty, but this is a defect in the administration of a system of paper money rather than a defect in paper money itself, and it must not be forgotten that coin, especially token money, is a frequent vehicle of dirt and germs.

PAR. (*Fr.* Pair; *Ger.* Pari.) This word is used in various senses, of which it is important to distinguish:

i. *Issue Par*. When the bonds of a new loan are issued, or the debentures of a commercial company are placed on the market, the said bonds or debentures are offered to the public at a given percentage. Thus, a new loan may *come out* at, say, 95%, which means that for every £100 nominal the subscriber actually pays only £95. It is this *issue par* which is referred to when a new loan is quoted at so much *premium* or *discount*; i.e., $\frac{1}{2}$ % discount on an issue price of 95% means in reality a price of $94\frac{1}{2}$ %; hence the origin of such quotations as " $\frac{1}{4}$ discount to par," or the cryptic "par to an eighth" telegraphed by a mythical stockbroker, and family man, to explain his delayed arrival in the City one fine morning.

ii. *Nominal Par*. Every bond and share certificate has impressed on its face a certain *nominal value*, such as £10, £20, £50, £1,000, etc., and once the actual terms of issue have been forgotten by the market, the term *par* relates to the face value of the certificate. If, therefore, a certain bond was issued 20 years ago at 80%, and £100 bond of the issue is now quoted at *par*, the price is not 80% but 100%.

iii. *Mint Par*. See "*Foreign Exchanges*."

iv. *Arbitrated Par*. A contraction of the phrase arbitrated par of exchange, which signifies the amount of currency in one country which

is equivalent to a given amount in another, taking into account (1) the balance of indebtedness between the two countries and the consequent demand for bills on one or the other; (2) the relative value at the time of gold and silver in the case of those countries having a different metallic standard; (3) the amount of interest that would be lost by waiting certain days or months for the payment of a bill, and which is dependent on the prevailing rate of discount in the country on which the bill is drawn; and (4) the amount of risk which is run by receiving a piece of paper representing a promise to pay several days or months hence, in exchange for cash paid down or goods delivered.

PARITY. (*Fr.* Parité; *Ger.* Paritaet.) An expression directly derived from "*par*," and meaning the equivalent of certain prices worked out in the currency of a different country. The term is freely used in Stock Exchange circles, where one talks of the "London parity," "Brussels parity," "New York parity," etc., of various quotations. Thus, in every newspaper will be found daily not only the list of closing prices on the New York Stock Exchange, but also the "London parities," and to the uninitiated this presents many difficulties, seeing that American stocks are quoted here in dollars. Thus, one reads that Atchison Topeka and Santa Fè Railroad Common shares closed at \$92 in New York, and that the London parity is \$108. The principal reason for this apparent discrepancy is that the *dollar* of the London quotation is a *fictitious dollar* of exactly 4/-; in other words, for reasons of convenience, transactions in American securities on the London Stock Exchange are always reckoned at the rate of exactly \$5 to £1 sterling. As the New York price of \$92 above referred to means, of course, 92 *actual* dollars, and as the prevailing exchange rate is never \$5 to £1, it is evident that some adjustment has to be made in the London price to make it exactly equivalent to the New York price. This accounts for the main part of the difference between London parity and New York price.

PARTICULAR AVERAGE. (*Fr.* Avarie particulière; *Ger.* Einfache Havarie.) See "*Average*."

PARTINGS, or PARTING BULLION. (*Fr.* Mélange des métaux précieux; *Ger.* Gemisch der edelen Metallen.) Mixtures of gold and silver. When the gold is greater in quantity, the mixture is called a *Gold Parting*, and when the silver is greater, a *Silver Parting*. Native gold is always found alloyed with silver, and native silver is sometimes found alloyed with gold. It is only when the alloy is in sufficient abundance to pay for extraction or *parting* that it is called *parting bullion*. As a rule it may be said that when a mixture of gold and silver is below the British standard—that is, lower than 22 carats fine—the amount of silver will pay the cost of parting. Also when a mixture of gold and silver contains 1 per mille of gold, the gold will pay the cost of parting.

PARTNERSHIPS. (*Fr.* Association, raison sociale; *Ger.* Handelsgesellschaft ohne beschränkte Haftpflicht, oder Kommanditgesellschaft.) Any business carried on by two or more persons (*partners*) without any provision for limitation of liability is a *partnership*. The matter is more fully dealt with under the head of "*Liability*."

PASSING A DIVIDEND. (*Fr.* Non-paiement d'un dividende; *Ger.* Dividenden-einstellung.) As a dividend is a matter for *resolution* in Board and General Meeting, it might be thought that to *pass a dividend* meant to declare a dividend to be payable; as a matter of fact, however, the meaning is precisely the opposite, and to *pass a dividend* means *not* to pay it.

PASSING NAMES. (*Fr.* Donner des noms des acheteurs de titres; *Ger.* Namensangabe.) When dealings take place in registered stocks the ultimate buyer has, of course, the right to say in what name or names he desires to have the stock registered. If several intermediate transactions have taken place, the name or names given by the ultimate buyer may go through several brokers before reaching the broker of the original seller, and the process of giving the names from one to another is called *passing names*. See also "*Transfer*."

PATENT. See "*Letters Patent*."

PAYMENT. See "*Performance*."

Payment for Honour. See "*Honour, Payment for*."

Payment supra protest. This mongrel phrase, half Latin, half English, is used in commerce in the sense of "over protest" or "after protest." The circumstances under which payment is made *after protest* are, when the person on whom a bill is drawn refuses acceptance or payment, or the holder requires better security than that implied by the nature of the bill. In all cases where a person accepts a bill for honour (see "*Acceptance for Honour*"), a *protest* is necessary, as a bill can be so accepted only *after* a formal protest for non-acceptance, or for better security.

PAYMENT IN FULL. (*Fr.* Libération entière; *Ger.* Vollzahlung.) The payment of the full nominal amount of shares or stock, as distinct from payment of application money or instalments. Note that shares may become "fully-paid" by three other processes than payment in full: (a) they may be issued as a bonus to existing share or debenture holders; (b) they become fully paid on payment of final instalment; or (c) on payment of final call. See also "*Call*."

PENALTY CLAUSE. (*Fr.* Clause de l'amende; *Ger.* Geldstrafen-klausel.) When builders, railway contractors, etc., undertake certain work, there is sometimes a stipulation that the job shall be finished by

a certain date, and that if not then finished a fine of so much per day will be payable by the builders or contractors from that date until the date of completion. Such a stipulation in a contract is known as the *penalty clause*.

PENNY. A bronze token coin used in this country since 1860, and passing current at one-twelfth part of one shilling, or more correctly, at one two-hundred-and-fortieth of one pound sterling, but legal tender only to an amount of one shilling in any one payment.

The *bronze* (not copper) of which a penny is made is composed of 95 parts of copper, 4 of tin, and 1 of zinc.

Silver Penny. The old silver penny was the only coin struck in England for many years. It was of the "Ancient Right Standard," like our modern silver coins, and weighed the 240th part of the Tower Pound; that is, $22\frac{1}{2}$ grains troy. It was therefore rather larger than our present threepenny piece, which weighs 21·8181 grains. The Tower Pound referred to is that which was used in the Mints of this realm down to the time of Henry VIII. It was lighter than the troy pound by three-quarters of an ounce.

PER PROCURATION. (*Fr.* Par procuration; *Ger.* Per Prokura.) A phrase, half English, half Latin, contracted from the Latin *per procuracionem*, meaning by procuration. Procuration, by itself, means administration, doing some duty, discharging some office, and the power of procuration in its modern acceptation relates rather to the *authority to sign*, which such powers of administration involve, than to the exercise of the administrative function itself. Hence *power of procuracion* applies usually to the signature of letters, cheques, drafts, etc., by branch managers or trusted employees on behalf of the principals, or, rather, on behalf of the firm or company.

Power of procuracion may be conferred by merely verbal understanding, by written authority, or even by power of attorney, the important point being not the manner in which the authority is conferred, but the extent to which third parties can be held to have had notice of such authority. Among banks and financial houses, particularly on the Continent, it is the practice to grant only *joint procuracion*, that is to say the signature of one *procurist* is not sufficient to bind the firm; there must always be *two* signatures to every letter, cheque, etc., unless, of course, the principals themselves sign. This arrangement serves not only as a bar to fraud, but also as a convenient means of fixing departmental responsibility for correspondence.

The recognised contraction for *Per Procuracion* is "Per Pro," but it should be noted that the "Per Pro" form of signature should never be used by unauthorised employees, even in minor matters. A clerk may have implied authority to put his name or initials to certain unimportant memos, but in such case he should sign simply "pro John Smith, Herbert Walker," and not "Per pro John Smith, Herbert

Walker." The expression "pro" means simply "for," whereas the use of the term "per pro" lays claim to full power of procuration.

PERFORMANCE. (*Fr.* Exécution; *Ger.* Ausfuehrung.) The word *performance* has a technical, legal significance in connection with commercial contracts. *Performance* means the carrying out of the terms of a contract, and in the case of contracts for the sale of goods (see "*Sale of Goods Act*") performance implies delivery of goods on the one part, and payment therefor on the other part.

In this sense, *payment* is the performance of a contract by the handing over of money or of some negotiable instrument. It may be of two kinds—absolute or conditional; e.g., if a creditor take a bill subject to its being honoured at maturity, the payment is *conditional*.

The debtor is bound to seek the creditor. The amount due must be paid in a manner consistent with the Coinage Act of 1870, in accordance with which the following is legal tender:

- i. Gold coins (issued by the Mint).
- ii. Silver coins, not exceeding a total value of 40s.
- iii. Copper coins, not exceeding 1s.
- iv. Bank of England Notes, for all sums over £5. Country Notes are legal tender only with the consent of the creditor.

(N.B.—Currency Notes are now also legal tender, of course.)

The other element in *performance*, namely, the delivery of goods, is the subject of many provisions in the Sale of Goods Act; briefly, they may be summed up in the following general terms. It is the duty of the seller to deliver goods in accordance with the terms of the contract. Whether it is for the buyer to take possession of the goods or for the seller to send them to the buyer is a question depending in each case on the contract, expressed or implied, between the parties. Failing any special stipulation, the place of delivery is the *seller's* place of business, except where the contract is for the sale of *specific goods*, which to the knowledge of both parties are in some other place, in which instance that place is the place of delivery. Where, at the time of the sale, the goods are in the possession of a third party, there is no delivery by seller to buyer unless and until such third party acknowledges to the buyer that he holds the goods on his behalf. (N.B.—This does not apply to deliveries effected by the transfer of a document of title.) Unless otherwise agreed, the expenses of and incidental to putting the goods into a deliverable state must be borne by the *seller*.

In the absence of any previous understanding, the buyer is under no obligation to accept delivery by *instalments*. If it has been agreed that delivery shall be made by instalments, and such instalments separately paid for, it is a question of *fact*, and not of *law*, whether a defective delivery of one instalment, or failure of the buyer to pay for one instalment, vitiates the whole contract, or merely gives rise to a claim for damages.

Delivery to Carrier. Where the seller is authorised or required to send the goods to the buyer, delivery to a carrier, *whether named by the buyer or not*, is *prima facie* deemed to be a delivery of the goods to the buyer. But the seller must make such arrangements with the carrier as may be reasonable, having regard to the nature of the goods and the circumstances of the case. Otherwise, if the goods are lost or damaged in transit, the buyer may decline to treat the delivery to the carrier as a delivery to himself, or may hold the seller responsible for damages. If the despatch of goods from seller to buyer involve sea transit under circumstances in which it is usual to insure, the seller must give such notice to the buyer as may enable the latter to insure. Where sales are effected f.o.b., c.i.f., etc. (see under "*Price*"), the *buyer* must, unless otherwise agreed, take any risk of deterioration in the goods necessarily incident to the course of transit. See also "*Acceptance*."

Tender is attempted performance. The seller of goods need only tender them once in execution of his contract, but the law is somewhat different in the case of the buyer when the latter has to make a money payment. Tender of payment does not constitute a discharge of the debt; if the creditor, for any reason, decline to accept payment when tendered, the debtor must, nevertheless, continue always "*ready and willing*" to pay; then, when he is sued, he can plead that he tendered the money in due time; he must also at once pay the sum into Court, and then, if he proves that he tendered payment at the proper time, he will get his costs allowed at the expense of the creditor.

Specific Performance. As a rule a breach of contract is a matter for damages to be assessed by the Courts, but there are occasions when the injured party is not satisfied with damages. Suppose, for example, A has purchased of B a certain prize bull for which he has a particular fancy. B later on regrets the deal and declines to part with the bull; he does not dispute his liability on the contract, and offers to pay a certain sum to A as damages for breach of contract. A, however, has set his mind on that one animal, and applies to the Courts for an order for "*specific performance*" of the contract; in other words, that the bull be delivered to him.

PERSONAL CAPITAL. (*Fr.* Capital personnel; *Ger.* Personenliches Kapital.) Those personal qualities, knowledge, and ability which a person possesses, and which, by analogy, are called his *capital*. Some danger attaches to the use of this term, as in pure Economics most of the matters which might be described as personal *capital* come under the head of *labour*, and confusions are apt to arise from a loose use of words.

At the same time, it is an undoubted fact that natural energy, acquired skill, proved character, and capacity for business confer upon their possessor a power of acquiring wealth which is very different

from the power of less fortunate individuals, and under the present limited liability company system the possession of personal capital by certain individuals leads to the emergence of the so-called *Entrepreneur* class, who either conduct operations on borrowed money, or obtain big remuneration for administering the affairs of companies whose capital has been supplied by others.

PERSONALTY. (*Fr.* Biens mobiliers; *Ger.* Persoenliches Eigentum.) All property can be divided into two legal categories: *personalty* and *real estate*. See "*Property*."

POLITICAL ECONOMY. See "*Economics*."

POOL. (*Fr.* Poule; *Ger.* Pool.) An Americanism now practically acclimatised. The term applies to any combination of persons or companies who undertake to place in a *pool*, or common fund, what moneys they receive for the sale of certain commodities or the performance of certain services, the amount thus *pooled* to be subsequently divided according to some prearranged plan.

In the case of railways and other transport industries the object of a "*pool*" is to put an end to free competition which entails loss to shareholders and permanent injury to some of the competitors. Whether the total earnings of the members of the *pool* are put into a common fund, and later distributed, or whether arrangements are made for the distribution of the traffic in agreed proportions, is a matter of convenience. In the case of shipping companies the name "*Ring*" has supplanted that of "*Pool*."

Sometimes, again, the name "*Pool*" is given to an arrangement whereby the holders of certain Stock Exchange securities agree to lump their holdings together, to prevent indiscriminate selling at inopportune moments, and to *unload* at a profit, which profit would be shared by the members of the pool in proportion to their holdings. See also "*Trust*."

PORT OF LONDON. The administration of the whole dock accommodation of the Port of London was by an Act of 1908 entrusted to a special body, known as the *Port of London Authority* (P.L.A.), and constituted as follows:

- 1 member appointed by the Admiralty.
- 2 members " " " Board of Trade.
- 4 " " " " London County Council—of whom two to be members of the Council and two non-members.
- 2 " " " " City Corporation—one member and one non-member.
- 1 member " " " Trinity House.
- 17 members to be elected by the payers of dues, wharfingers, and owners of rivercraft.
- 1 member to be elected by wharfingers.

London is the largest port in the world, its principal Continental competitors up to 1914 being Hamburg, Rotterdam, and Antwerp. The total net tonnage of vessels which arrived and departed with cargoes and in ballast from and to foreign countries and British possessions and coastwise during the year ended December 31st, 1913, was 40,080,282 tons, and 60% of the tonnage used the so-called *Wet Docks*. During the twelve months ended March 31st, 1914, the Port of London Authority landed or received 2,218,266 tons of import goods for warehousing or for immediate delivery, and the stocks at the end of March 1914 in the warehouses directly controlled by the Authority were 536,990 tons, not including goods landed in transit.*

With the exception of the New Royal Albert Dock Extension (South), the *wet docks* of the Port of London Authority are those it took over from the old companies—the London and India Docks Company, the Surrey Commercial Docks Company, and the Millwall Dock Company, all three of which were bought out for a total of £23,000,000 by the Act of 1908. Tilbury Dock lies about twenty miles down the river, just above Gravesend, but all the rest of the docks are situated between Woolwich and Tower Bridge. The largest are the Albert and Victoria Docks running parallel to Woolwich Reach; next come the East and West India Docks at the base of the Isle of Dogs, with the Millwall Dock to the south; west of the Isle of Dogs, on the south side of the river, between Limehouse Reach and the Lower Pool, are the series of basins known as the Surrey Commercial Docks; and most westerly of all are the smaller, but highly important, basins of the “London” and St. Katherine Docks.

Each dock or series of docks is definitely associated with certain branches of trade and particular lines of steamers; as a rough generalisation it may be stated that the larger vessels, for obvious reasons, use the more easterly docks, whilst the more westerly warehouses shelter the most valuable goods. Even the warehouses of London Dock and St. Katherine, however, are found to be too remote from the City, and hence the importance of the “uptown warehouses” of Cutler Street and Crutched Friars—which latter site will now accommodate the new

* The traffic of the Port of London was, naturally, considerably disorganised by the war (1914-1919), and under the Government scheme for diverting traffic from East Coast to West Coast ports, London fell behind Liverpool for the time being, as the following figures show:

Value of Total Imports and Exports (Excluding Coastwise-Goods)

	1916	1917	1918
London	£548 million	£506 millions	£542 millions
Liverpool	£476 "	£597 "	£683 "
Hull	£87 "	£84 "	£90 "
Manchester	£69 "	£89 "	£107 "
Southampton	£17 "	£24 "	£40 "
Glasgow	£76 "	£77 "	£96 "

The total tonnage entered and cleared for year ending March 31st, 1919, was 13,210,602, of which 61·7 per cent used the wet docks. In the same period 2,252,817 tons of import goods were landed or received for warehousing or immediate delivery.

premises of the P.L.A. The enormous cold stores for the frozen and chilled meat trade at Victoria and Albert Docks have their own "up-town warehouse" in the shape of additional cold storage accommodation adjoining the Central Meat Market at Smithfield.

However, the berths and warehouses under the management of the Port of London Authority do not represent the entire accommodation afforded by the Port. As already indicated, 40% of the tonnage using the port does not enter the docks, the vessels either lying out in the river or alongside a *wharf* or *tier*; moreover, about 80% of the cargo of vessels which go into the docks is fetched away by lighters and taken to wharves on the open river. Hence the *wharfingers*, who elect a majority of the members of the P.L.A., are, in effect, in direct competition with that Authority in the matter of warehousing, if not in the matter of accommodating shipping, but so far the new arrangements seem to have proved satisfactory.

One very important duty of the Port of London Authority is the deepening and cleansing of the river bed by constant dredging, and a scheme costing £1,000,000 is now being carried out which will give 30 feet of water at low tide for the whole 37 miles from the Nore to the Albert Dock gates, which means a high-tide depth of 47 feet. As such improvements obviously benefit the wharfingers as well as the P.L.A. in its capacity as ship-accommodator and warehouse, the cost thereof could not be put only upon the shipping entering the docks, still less upon the one-fifth of their cargoes which are slung on to the dock quays. Thus faced with a delicate problem, the founders of the Port of London Authority resorted to an expedient which had long been advocated by the old dock companies, but which was regarded with considerable misgiving in many quarters; this was the imposition of *tolls* on goods, not as payment for berth or warehouse accommodation, but as a contribution to the cost of maintaining the fairway of the Port. A great deal of interest attached to the practical outcome of the powers conferred upon the P.L.A. in the matter of tolls, and it was not until November 1910 that the new system came into operation. In order not to injure the *entrepôt* trade of the port, goods for *transshipment* are altogether free of toll, whilst on all other *exports* the charge is merely nominal; thus, the bulk of the toll falls upon *imports*, but the magnitude of such imports renders the charge quite a light one, and no serious objections have been raised as to the justice of the system. See also "*Shipping*," "*Customs*," "*Dock Warrant*," etc.

POST, TO. (*Fr.* Entrer; *Ger.* Buchen.) *To post* signifies to place an entry in some book or ledger where it is to remain permanently. Hence entries made from journals or auxiliary books when placed in the ledger are said to be *posted*. Similarly, the numbers of bank-notes, coupons, bills, etc., when inscribed in books of reference, are said to be *dosted*.

POST-DATE. (*Fr.* Postdater; *Ger.* Nachdatieren.) To attach a date to a cheque or other document subsequent to that on which it was written. Bank Post Bills are intentionally post-dated seven days, the seven days' interest being a compensation for the convenience afforded. An ordinary cheque is sometimes post-dated, in which case the holder ought not to present it till it has matured, as it is liable to cause misunderstandings or unnecessary trouble by its return.

Some years ago the post-dating of invoices became a serious scandal and cause of much unsound trading. Travellers or canvassers would obtain orders for goods on the understanding that the invoice should bear a date three, six, or even nine months later than the actual date of delivery. This practice was, of course, simply a form of extended credit, forced upon manufacturers and wholesalers by mutual competition, and calculated to lead to very unhealthy conditions in the particular trades in which the practice flourished.

POUND. *Pound Avoirdupois.* The unit of weight employed in this country for weighing ordinary commodities. It is equal to 7,000 troy grains, or 453·59265255 metric grammes. It is divided into 16 ounces, of 437½ grains each.

Pound Troy. The unit of weight used in this country for weighing the precious metals. It is equal to 5,760 troy grains, or 373·2419541 metric grammes. It is divided into 12 ounces of 480 grains each. See also "*Tower Pound.*"

Hence the *Grain* is the only unit common to the two systems of weight.

Pound Sterling. The principal British coin of account. The name is derived from the fact that in the time of the Conqueror one *Tower Pound* of silver was coined into 240 silver pence; whence the *Tower pennyweight* was really and truly the weight of a penny. Twelve of these silver pence were called a shilling, or *solidus*, and twenty *solidi* made a pound. The weight of the shilling was reduced from time to time till, in the reign of Elizabeth, the pound troy of silver was coined into 744 pence, but twelve of these smaller pence were still called a shilling, and 20 shillings a pound in coin.

By the Coinage Act of 1816, the gold coinage of England consists of gold 22 carats fine (*i.e.*, 11/12ths), which is called *standard gold*. The value of the pound, or as it is also frequently called, the *Sovereign*, is deduced from the fact that 40 lb. troy of standard gold is coined into 1,869 sovereigns, from which the following useful memoranda are obtained :

40 lb. Troy	=	1,869 sovereigns (or pounds sterling).
1 lb. „	=	£46 14s. 6d.
1 oz. „	=	£3 17s. 10½d.
1·23·27447 grains	=	£1 0s. 0d. (7·98805 grammes).

The alloy in our present gold coinage consists mainly of copper, but

with a small proportion of silver. See also "*Abrasion*," "*Money*," etc.

A coin called a *Sovereign* was first struck in England during the reign of Henry VII. The same coin was sometimes called the Rose Dial, sometimes the Double Rose. Leake, in his *Historical Account of English Money*, says, "They were struck upon extraordinary occasions only, in the nature of medals, and perhaps were first coined in honour of the king's coronation, as his figure thereon, in the attitude of that solemnity, seems to intimate. . . . We are told such were distributed at the coronation of Queen Mary, and sovereigns were coined in every reign afterwards to King James I. inclusive."

In the reign of James I. the standard of fineness for gold was fixed at 22 carats; but the number of coins struck from a troy pound varied considerably. Thus:

In 1604 it was coined into £33 10s. Shortly afterwards it was coined into £37 4s. 6d.; and still later into £40 10s. The twenty-shilling piece at this time was called the *Unity*, but the name did not take root in the language, and that of "sovereign" was by this time growing more familiar. In 1612 the pound of gold was coined into £40 18s. 4d., for *unities*, or twenty-shilling pieces; or, as they were popularly called, "broad pieces."

In 1626, the second year of Charles I., two kinds of gold were used, one of 23 carats, $3\frac{1}{2}$ grains fine, one pound of which was coined into £44 10s., and the other 22 carats fine, one pound being coined into £41. Owing to the exigences of this reign many irregularities were afterwards introduced into the coinage.

In 1816, after sundry further fluctuations, the gold coinage of England was fixed by Act of Parliament both in regard to weight and fineness, and no alteration of importance has since been made, except the Act of 1891 permitting the presentation at the Mint of gold coin three grains below standard weight.

POWER OF ATTORNEY. (*Fr.* Pouvoir; *Ger.* Vollmacht.) See "*Attorney, Power of*."

PREFERENCE SHARES. (*Fr.* Actions privilégiées; *Ger.* Vorrechtsaktien.) See "*Shares*."

PREMIUM. (*Fr.* Prime; *Ger.* Praemie.) The meaning of *Premium* is much the same as that of its Latin original. In general terms it may be said to be a recompense made in return for money paid down for a purpose, or for some service rendered. The word has sundry applications in commerce, the following being some of the more important:

In currency, the premium on gold or silver is the difference in value between gold and silver coins and paper notes of the same nominal amount. When used in this sense *premium* is almost identical in meaning with the Continental term *Agio*.

In life insurance, the premium is the sum periodically paid by the

insured in order to secure to his representatives after death a stated sum of money, or to secure such stated sum at an agreed age. Similarly, in fire insurance it is the sum periodically paid in order to obtain compensation for loss of property by fire, and is usually a fixed percentage on the nominal value of the property insured. In marine insurance the premium paid is commonly for a specified voyage, as from one port to another, or to various ports, or from a ship's departure from a given port until her return, as *out and home*; and sometimes, when upon the ship or freight, it is for a limited time, as, e.g., a certain rate per month; but when the *time* is thus specified, the insurance cannot remain in force for a longer period than twelve months without being renewed in a fresh policy.

In the stock markets *premium* means *higher than par* (see "*Par*"). For the meaning of *premium bonds*, see under "*Bond*."

PRESENT. (*Fr.* Présenter; *Ger.* Praesentiren.) In ordinary speech, "to present" means simply to place anything before someone, to be seen, or to be accepted. In commercial law it bears a somewhat more technical signification. Thus:

To Present a Bill for Acceptance is to bring it to the person (or firm) on whom it is drawn, and request him to undertake to pay it, by writing the word "Accepted" on its face and signing it. Bills should be presented for acceptance as soon as possible; otherwise, the holder may incur loss by the delay.

To Present a Bill or Promissory Note for Payment is to bring it to the principal debtor and demand payment of it. It should be presented for payment punctually on the day when it falls due; otherwise, all the parties to it, except the *Drawer* and *Acceptor*, are discharged from their liability.

A Bill or Note is considered in law as *duly presented* if left at the residence or business office of the drawer, drawee, or acceptor; that is to say, it is not essential that it should be delivered to him in person.

PRESENT VALUE. (*Fr.* Valeur actuelle; *Ger.* Heutiger Wert.) There are three principal methods of calculating *present values* in use: (1) the rough method of discounting, as in the negotiation of Bills of Exchange; (2) the determination of the present value of a deferred payment, reckoning compound interest on the sum paid; and (3) the determination of the present value of a series of payments due at regular intervals, as in the case of an annuity. The first of these methods amounts, in effect, to a deduction of interest and to calculate discounts on bills one has merely to calculate interest and deduct it from the principal sum. (See "*Interest*.") For the second and third a good knowledge of Algebra is essential, as they involve rather prolix logarithmic calculations, although in practice the clerical work is much abbreviated by the use of Compound Interest Tables and other *Ready Reckoners*.

For determining the Present Value of a sum due at the end of a given number of intervals the following formula is used :

$$V = \frac{M}{(1 + r)} N$$

where

- V = The Present Value.
 M = Amount due at the end of the time.
 N = Number of intervals.
 r = Rate per cent. for each interval.

For the Present Value of a series of payments due at regular intervals we have :

$$P = \frac{A}{r} \left(1 - \frac{1}{R^n} \right)$$

where

- P = The Present Value.
 A = Periodical Payment.
 n = Number of intervals.
 R = $1 + r$
 r = Rate per cent. for each interval.

PRICE. (*Fr.* Prix ; *Ger.* Preis.) The *price* of an article is its *value* expressed in terms of *money*. (See "*Value*.") This statement, however, is much too sweeping to give any adequate idea of the intricacies of market quotations, and the best way in which to arrive at a fuller understanding of the term is to consider briefly some of the many kinds of price familiar to the man of business.

Bid Price. The price the prospective buyer is willing, or, rather ostensibly willing, to pay, is known as the *bid price*.

Offered Price. The price the seller is willing, or, rather, ostensibly willing, to accept, is known as the *offered*, or *asked price*. In all highly organised markets records of quotations always give both the *bid* and *offered prices*. (See, e.g., "*Stock Exchange*.")

Middle Price. When both bid and offered prices are quoted, the average of the two is called the *middle price*.

Element of Time. Another classification of prices is that which has regard to the time at which the purchase money has to be paid. Thus :

Spot Price. When a price refers to goods which are already on hand and can be delivered forthwith, it is sometimes known as a *spot price*.

Cash Price. In the retail trade *cash price* implies that the buyer must pay *money down*, but as used in the wholesale trade the term is not so literally interpreted, and so-called *cash purchases* often really mean payment in 14 days, or even one month.

To Arrive. When transactions take place in goods which are still on their way to the market, the price paid is said to be for goods "*to arrive.*" No payment is made until the goods are actually landed and documents handed over, which may be a matter of two, or even three, months in the case of ocean-borne commodities.

Future Shipment. As mentioned under "*Futures,*" goods are sometimes dealt in before they actually exist, or at any rate before they are harvested or prepared for market. Hence the regular quotations for cotton, wheat, etc., for *End April* shipment, *End May* shipment, *End June*, and so on. A variation of this formula is found, for instance, in the date trade with the Persian Gulf, where the whole year's crop is shipped within a period of about five or six weeks, and where the major part of the crop is disposed of months in advance by Eastcheap brokers for shipment either "*First Tide*" or "*Second Tide*"; a better price is paid for the *first tide* dates, irrespective of quality.

Element of Location and Expenses. Yet another important classification of prices is that which arranges them according to stipulations they contain as to where delivery is to take place and whether certain incidental charges are to be borne by seller or buyer. Thus :

Loco. This means that the goods quoted *loco* are to be delivered from the place at which they actually lie ; in other words, no carriage or other charges will be borne by the seller.

At Station means free delivered to railway station.

On Rail means placed on railway company's trucks.

Free Alongside (f.a.s.) means that the price includes all charges up to and including placing the goods alongside the vessel designated by the buyer, ready to be taken on board.

Free on Board (f.o.b.) means that the price includes all charges up to and including placing the goods on board the vessel designated by the buyer.

Cost and Freight (c. and f.) means that the price includes the cost of freight to the port of destination, as well as packing, carriage to export steamer, etc. In other words, c. and f. equals f.o.b. *plus freight.*

Cost, Insurance and Freight (c.i.f.). In this case the seller bears the cost of insurance as well as freight charges to the port of destination designated by the buyer.

Landed Terms includes lighterage and all charges for landing the goods at the port of destination. In other words, *Landed Terms* equals c.i.f. *plus* landing charges.

Franco, or *Franco Domicile*, or *Rendu*, when added to a quotation, means that the seller pays not only freight, insurance, and landing charges at port of destination, but also the foreign import duty, if

any, railway carriage, and all other charges incurred up to and including delivery of the goods at the door of the buyer.

In Bond, as descriptive of prices, means that the goods are lying in one of the bonded warehouses, and that the buyer will have to pay the Customs duties on taking the goods for home consumption.

Duty paid means that Customs duties have already been, or will be, paid by the seller before the buyer takes delivery.

Price of Gold and Silver. The Price of Gold is determined by the Mint regulation which ordains that 40 pounds troy of Gold $\frac{1}{12}$ ths or $\cdot 916\frac{2}{3}$ rds fine, best Standard Gold, shall be coined into 1,869 sovereigns. By division it is found that 1 ounce troy of Standard Gold is worth 77s. 10½d. Hence, £3 17s. 10½d. per ounce is said to be the price of Standard Gold.

Since an ounce troy is equal to 480 grains, we find from the above data that the weight of the sovereign is 123·27447 troy grains.

Hence the value of the troy grain of standard gold is found by division to be 1·9469d.

Expressed in grammes, the weight of the sovereign is 7·98805 grammes; this gives as the value of the gramme of standard gold 30·04488d.

If the gold be $\frac{9}{10}$ ths or $\cdot 900$ fine, as the French Napoleon, the value of the gramme is 29·4986d.

On the same supposition, the value of the grain troy is found to be 1·9115d.

If the gold be pure, the gramme is worth 32·7762d.

On the same supposition, the grain troy is worth 2·1239d.

The Price of Silver is determined by the observation that, in France, where the Double Standard of Valuation nominally prevails, it was found that the value of pure gold, as compared with that of pure silver, the comparison being extended over several years, was as $15\frac{1}{2}$ to 1. In other words, that 1 part by weight of pure gold was equal in value to $15\frac{1}{2}$ parts by weight of pure silver. Almost the same proportion was found to prevail in India, where the silver standard was in use. This proportion has been a good deal disturbed of late years owing to the large influx of silver from the mines. It was very different also in ancient times. We are told by Herodotus that in the time of Darius, the son of Hydaspes, gold was 13 times the value of the same weight of silver. The assay of equivalent amounts of gold and silver coins of that period gives $13\frac{1}{3}$ to 1 as the proportion. In Roman times the proportion fell as low as 10 to 1. In later times it rose to 12 to 1. In our first coinage of gold, in the time of Edward III., about 14 parts of silver were equal to 1 of gold, but this was found to be too low a value for gold. During the nineteenth century it was about $15\frac{1}{2}$ to 1, and after the ratio had by 1914 gone to 35 to 1, it was, after the Treaty

VALUE OF GOLD IN GRAINS TROY

	Gold $\frac{11}{12}$ ths fine.	Gold $\frac{1}{10}$ ths fine.	Pure Gold.
1 Grain Troy	1·9469 <i>d.</i>	1·9115 <i>d.</i>	3·1239 <i>d.</i>
2 Grains „	3·8938	3·8230	4·2478
3 „ „	5·8407	5·7345	6·3717
4 „ „	7·7876	7·6460	8·4956
5 „ „	9·7345	9·5575	10·6195
6 „ „	11·6814	11·4690	12·7434
7 „ „	13·6283	13·3805	14·8673
8 „ „	15·5752	15·2920	16·9912
9 „ „	17·5221	17·2035	19·1151
10 „ „	19·4690	19·1150	21·2390

VALUE OF GOLD IN GRAMMES

	Gold $\frac{11}{12}$ ths fine.	Gold $\frac{9}{10}$ ths fine.	Pure Gold.
1 Gramme	30·04488 <i>d.</i>	29·4986 <i>d.</i>	32·7762 <i>d.</i>
2 Grammes	60·08976	58·9972	65·5524
3 „	90·13464	88·4958	98·3286
4 „	120·17952	117·9944	131·1048
5 „	150·22440	147·4930	163·8810
6 „	180·26928	176·9916	196·6572
7 „	210·31416	206·4902	229·4334
8 „	240·35904	235·9888	262·2096
9 „	270·40392	265·4874	294·9858
10 „	300·44880	294·9860	327·7620

of Versailles (1919), getting back to the old level of $15\frac{1}{2}$ to 1 (which is equivalent to a silver price of $65\frac{3}{4}$ d. per oz.). By January, 1920, the price had advanced to 80d. per ounce.

PRIMAGE. (*Fr.* Chapeau ; *Ger.* Primgeld.) A small contribution, usually about one-tenth of the amount of the freight, formerly paid to the captain of a vessel by way of gratuity for taking care of cargo, but now regularly charged on certain voyages as an addition to the freight, and applied to the shipowner's benefit.

PRIME ENTRY. (*Fr.* Déclaration en douane ; *Ger.* Vorlaeufige Deklaration.) Before a so-called *landing waiter* is appointed to the charge of a vessel which has entered port, and therefore necessarily before commencing to discharge its cargo, it is required by the Customs (*which see*) that at least two-thirds of the cargo should be *entered*, and, unless the goods are *bonded*, duty must be paid forthwith on an *estimated* amount. This is called making a *Prime Entry*, and when afterwards the goods have been landed, and the net weight or quantity has been ascertained, the consignee is required to make a second, or *Post Entry*, and pay the remaining duty. See also "*Entry*."

PRINCIPAL. (*Fr.* Principal ; *Ger.* Prinzipal.) (a) The chief, or one of the chiefs, of a commercial house ; an employer ; in the case of a private partnership, all the partners are termed *principals*, the dominant partner being called the *Senior*.

(b) One who employs an *attorney*, to which the term principal stands in the same relation as the French *mandant* to that of *procureur*. In this relation the principal is sometimes called the *constituent*, as may be seen from the specimen Power of Attorney given under "*Attorney*."

(c) A sum of money employed to produce a profit or revenue ; in this sense often used as an equivalent of *capital*. More precisely, however, custom has established a distinction between the two terms, *Capital* being wealth employed to produce profit (see also "*Capital*"), and *Principal*, wealth set apart to produce revenue, periodically payable over a length of time under the name of *interest*.

PRIVATE BANKS. (*Fr.* Banques privées ; *Ger.* Privatbanken.) A *private bank* is a bank conducted on the lines of an ordinary partnership business, as distinct from a joint stock bank. A private bank may not have more than ten partners, otherwise it must seek registration under the Companies Acts. There are several very old and wealthy private banks still in existence, but no new ones are formed, and as the process of amalgamation and absorption goes on their number steadily diminishes. Thus, in 1914, the firm of Robarts, Lubbock and Co. was absorbed by Messrs. Coutts and Co., a firm dating from the early part of the seventeenth century, and in December, 1919, Coutts in turn was merged in the National Provincial and Union Bank of England.

PROBATE. (*Fr.* Vérification d'un Testament ; *Ger.* Erbschaftsnachweis.) The official *proof* (or proving) of a Will or Testament.

When a solicitor is employed he will do all that is necessary to obtain the *grant of probate* on behalf of his client. But it is not necessary in simple cases to employ a solicitor. The Executor of a Will should take it to the Probate Court, when the clerks of the department will afford him all the information required.

When application is made to a banker for securities held on deposit in the name of a deceased customer, or the balance standing to his credit in the bank books (if over £50), the applicant must produce a *Certificate of Probate* (or Letters of Administration, if the deceased left no Will) to justify the banker in giving up possession of those securities and to prevent their falling into wrong hands.

The following "useful hints" drawn up by a late Registrar of Friendly Societies (Mr. Tidd Pratt) in respect to personal applications for Grants of Probate or Letters of Administration are given rather as an indication of the points involved than as an attempt to make the present work a legal handbook.

ADVICE TO APPLICANTS FOR GRANTS OF PROBATE OR LETTERS OF ADMINISTRATION.

"The department for personal applications is at Somerset House, Strand, W.C. The offices are open to any person who may wish to prove a will or obtain letters of administration without employing a proctor or solicitor.

"The applicant has only to attend (bringing the will in case there be a will), and state the amount (or thereabouts) of the deceased person's 'personal estate and effects.' He must also procure (for inspection only) a certificate either of death or burial. This document, however, may be procured and sent subsequently (and is sometimes dispensed with altogether).

"The applicant will receive all possible assistance from the clerks of the department with reference to obtaining the grant of probate or administration, and all the papers are prepared and the parties are sworn in the office.

"As in cases wherein a proctor or solicitor is employed, so in this department, administration bonds, with one or two sureties (according to the amount of property), are required when the application is for letters of administration; not so when an executor applies for probate of a will. The sureties, however, may attend subsequently to the administrator."

There are about forty District Registries in different parts of England and Wales; but those who propose to act without the aid of a solicitor will in most cases find it expedient to apply in the first place at the Principal Registry, where all necessary information will be given.

PRODUCTION. (*Fr.* Production; *Ger.* Produktion.) This term has a definite technical meaning in Economics, being, in fact, one of the

great sub-headings of the science, as explained under "*Economics*."

Production is said to be the result of combinations of *land* (and all natural agents), *labour* (including organisation and supervision, as well as manual labour), and *capital*, and the term is equally applicable to the catching of mackerel and the manufacture of scientific instruments. In fact, production is not confined to material commodities only, and the schoolmaster, the doctor, and even the parson come under the head of productive agents in so far as they collect and again disseminate ideas; again, actors and organ-grinders are equally producers in so far as their efforts can be said, in the quaint language of early economists, to *satisfy a craving*.

Relation of Production to Demand and Supply. *Demand* (which see) is one of the great factors in bringing about *production*, but it must be noticed that *production* is by no means equivalent to *supply*. Normally, of course, there is a rough correspondence between production and supply, but supply may be much less than production (as when meat is held back by the big importers in cold store), and may even, on occasion, exceed production (as when more cotton is sold in the way of "*futures*" than is actually harvested). That there is a relation between supply and the *normal cost of production* needs no demonstration, although many instances could be cited offhand of cases where cost of production seems to be quite ignored in the fixing of "supply price."

Production Capital. Some years ago much good logic was wasted in attempts to differentiate between capital used for *production* and that *consumed* in immediate enjoyments, but as much so-called *consumption* capital was admittedly spent in the employment of various kinds of labour, and in the purchase of various kinds of commodities, such as houses and carriages, which might sooner or later be put to some utilitarian purpose, the distinction proved merely academic, and is not worth discussing further. See also "*Capital*."

Productive Labour. As in the case of *Capital*, so in the case of *Labour*, attempts have been made to distinguish between that which is *productive* and that which is not. For instance, it has been said that the services rendered by productive labour may be:

i. *Fruitive*, i.e., immediately ministering to some human satisfaction or enjoyment;

ii. *Protective*, as e.g., that of soldiers, police, and judges.

iii. *Accumulative*, i.e., embodied in some material object and capable of being stored, transferred, or exchanged.

It would seem, however, that it might be difficult to apply the term *productive* in any given case. Thus, if a man shuts himself up to work out a brilliant idea, and gets carted off to an asylum at the end of six weeks, he may be dubbed an unproductive labourer; but if he eludes neighbourly concern, and in the seventh week gets his inspiration, he may be hailed by all the world as a *creative* (i.e., *productive*) genius. The productivity or otherwise of labour must therefore be left to the

decision of our old friend, the Omniscient Despot. See also "*Over-Production.*"

PROFIT. (*Fr.* Bénéfice; *Ger.* Gewinn.) As applied to a particular article, *profit* is the difference between the selling price and the cost of production or purchase to the seller; in other words, profit is the price difference on one transaction only, as a statement that the total difference in price between original producer and final purchaser conveys little information unless accompanied by details as to the number of intermediaries concerned and the respective profits made by each.

Profit in ordinary language means a *gain*, but it ought to be noticed that attempts have been made to give the word a more general significance. Thus, *McLeod*: "This difference may be in excess of the cost of production, in which case it is positive, and is called gain, or it may be in defect, and then it is negative, and is called a loss."

In order to appreciate the many different factors which affect the profit *made* on a given manufactured article one has only to enumerate some of the outlays involved, *e.g.*, cost of raw materials and various kinds of labour, including management, superintendence, and any special skill, interest on capital employed—dependent largely on the rapidity of the *turnover* and the proportion borne by the capital employed to the value of goods produced in, say, a year—insurance against risks and accidents, etc.

As society is at present organised, *profit* is the mainspring of the activities of the entire manufacturing and commercial community. One of the greatest sources of modern progress lies in the fact that—broadly speaking—the *newer the business, the bigger the profit*. A man who has the resourcefulness and initiative to open up a *new line* can easily reap of profit of 15% to 20%, and the people who complain of the smallness of profits are—speaking in quite general terms—those engaged in some long-standing industry or trade, where the routine is well known, and where competition is in full force. Thus, the pathetic frequency of the dingy "general shop" in a poor, working-class neighbourhood is to be explained not only by the hand-to-mouth habits and what may be called the compulsory thriftlessness of the district, but also by the widely prevalent idea that any unfortunate family with a few pounds left after losing the breadwinner can *manage* a "general"; the result is that the profit earned in that class of business is apparently commensurate with the ability brought to bear. Whilst the general body of stick-in-the-mud manufacturers and traders bewail competition and low profits, money is constantly being made in fresh directions, and but for this fact society would die of dry rot.

In company law, what exactly constitute "profits available for dividend" is a moot point, involving considerations of the allowances to be made for depreciation of premises, plant, patents, and other "wasting assets."

PROFIT AND LOSS ACCOUNT. (*Fr.* Compte de profits et pertes ; *Ger.* Gewinn und Verlust Konto.) Part of the account which a merchant keeps for his own information ; the Profit and Loss Account is complementary to the Capital Account, and its purpose is to show the result of the firm's operations for a quarter, half-year, or year, as the case may be. All expenses in diminution of profits are entered on the Dr. side, including such losses as bad debts and depreciation, whilst profits on sales and from other sources are shown on the Cr. side of the account. The balance of the Profit and Loss Account, whether a profit or a loss, must be carried to Capital Account.

PRO FORMA. (Used in *Fr.* and *Ger.*) Any document prepared merely as a matter of form, or by way of illustration, is called a *pro forma* document, and the meaning is virtually that of *specimen*. Thus, if a merchant wishes to open up a new line of trade, or buy in a fresh market, he will want first of all to acquaint himself with the exact conditions governing bargains in the new quarter ; he will therefore ask the firm with whom he proposes to deal to send him a *pro forma* invoice, in order that he may see exactly what allowances are made, what expenses charged for packing, and so on. Similarly, the term *pro forma account* (*Fr.* Compte fictif ; *Ger.* Konto Finto) is applied to a draft or provisional statement of account intended to show, not the final balance, but the exact manner in which the final balance will be arrived at.

PROMISSORY NOTE. (*Fr.* Promesse ; *Ger.* Handschein.) A written promise to pay a given sum of money to a certain person at a specified date. The phrase "for value received" is usually inserted, but it has been decided in the Courts that it is of no importance and is, in fact, said to be, legally, without meaning. The usual forms of Promissory Notes are given below.

£764 18s. 6d.

London, June 11th, 19—

Three months after date I promise to pay Robert Green or Order the sum of seven hundred and sixty-four pounds eighteen shillings and sixpence for value received.

ROBERT WATSON.

The above Note authorises Robert Green to claim from Robert Watson, three months after the date written upon it, the sum stated.

£500.

London, Nov. 20th, 19—

On demand, I promise to pay Jas. Sinclair five hundred pounds.

HENRY BOUVERIE.

This form of Note obliges Henry Bouverie to pay the sum of £500 to Jas. Sinclair whenever the latter chooses to demand it.

N.B.—Both the above forms require endorsement to make them negotiable.

£350.

London, May 7th, 19—

On demand, I promise to pay to bearer the sum of three hundred and fifty pounds sterling.

ROBERT GREEN.

This form of Note is not legal unless under special sanction; that sanction, however, is given to certain banks, and notably to the Bank of England, whose Notes are essentially in this form. It differs from the other two in not being made payable to any specified person, but to anyone who holds it for the time being. See also "*Bank of Issue*."

See also "*I.O.U.*"

PROMOTER. (*Fr.* Promoteur; *Ger.* Gründer.) A person who helps to originate a limited liability company or joint-stock undertaking. Sometimes used as a term of reproach, as a synonym for "swindler," but the genuine promoter is an important factor in commercial progress. See also "*Limited Liability Companies*."

PROMPT. (*Fr.* Terme; *Ger.* Zahlungstag.) This is a term used in certain markets, notably in Mincing Lane and the Metal Exchange, to denote the time fixed for payment in a certain contract of sale. As on the Stock Exchange (*which see*), so in the Produce and Metal Markets, goods are not usually sold for immediate cash payment, and the *prompt* corresponds exactly to what is known on the Stock Exchange as *settlement*. The length of the prompt depends largely on the volume of the transaction; thus, a contract for the purchase of a few odd cases of gum arabic would probably be for *prompt* on the following Saturday, whereas if the contract is for 100 cases the buyer may be able to stipulate for four or six weeks' prompt.

However, unlike the buyer for settlement on the Stock Exchange, the Mincing Lane merchant can claim delivery of the whole or any portion of the goods *at any time* prior to the prompt date. Suppose, for instance, that on November 7th a merchant buys 75 chests of shellac for prompt December 12th. In such case he need not pay for them until the latter date, but if in the meantime he sells 20 chests of the parcel for immediate shipment, say on November 14th, he simply sends along to the selling broker a memo asking for documents for 20 chests; dock warrant or delivery order is handed to him for 20 chests,

together with invoice for that part of the parcel, in which allowance will be made by way of discount from November 14th to December 12th. The merchant must pay cash for the 20 chests, which are said to be *taken up*; a week or so later he may sell and *take up* a further 15 chests, a week later still another 25 chests, and so on; so that when the actual prompt date arrives there may be none left to take up, or only 5 or 10 chests.

In Mincing Lane certain goods are always *prompt* on particular days of the week, as, for instance, sugar on Mondays, and gums, drugs, etc., on Saturdays, this being, of course, merely a matter of convenience with the big brokers to prevent too much of a rush of routine business on any one day.

Such expressions as “*two weeks’ prompt*,” “*three months’ prompt*,” etc., refer to the period between the date of the bargain and the date fixed for the *prompt*.

It is curious to note that the primary etymological meaning of *pro-ēre*, which dropped out of the later Latin, is revived in the modern commercial use of the word, where it is always associated with a buying-forward, or in advance.

PROPERTY. (*Fr.* Propriété; *Ger.* Eigentum.) The word *property* is used colloquially to signify money, land, houses, timber, machinery, motors, and other material products. Technically, however, it signifies the *Right* one has in any of these things, and not the things themselves. This, too, is the original meaning of the term as used by old authors, and the colloquial use of it is a perversion of its real meaning, just as “drinks” is a perversion when applied to the things drunk.

Property may be conveniently divided into two classes, corporeal or material property, and incorporeal or immaterial property. Corporeal property is the right one has to the enjoyment of material things, such as land, ships, buildings, food, etc. Incorporeal property is the right one has to things not represented by any material objects, such as the right to a reversion, or to an annuity, or to things not at the present time in existence, as the produce of a farm or vineyard, or the rental of an estate, etc.; the skill of a manager, the dexterity of a workman, and even the moral character of a servant may also be regarded as forms of incorporeal property.

PRO RATA. (Same in *Fr.* and *Ger.*) According to rate, or reckoning in a given ratio. The feminine form of the word is used so as to agree with *pars*, understood, as in Cicero, *pro rāta parti*; or more simply in Livi, *pro rāta*, in each case signifying in proportion, or proportionally.

PROSPECTUS. (*Fr.* Prospectus; *Ger.* Prospekt.) A Prospectus is an official announcement issued by a company, municipality, or Government, at the time of making an issue of shares, stock or debentures. As prospectuses contain a good deal of concise information likely to be useful to commercial students, two are included in the

Appendix to the present work, one of a Government, the other of a limited company.

With regard to prospectuses issued by limited liability companies, the law has made very strict regulations in the Companies Acts. The definition of a prospectus therein given is "any prospectus, notice, circular, advertisement, or other invitation offering to the public for subscription or purchase any shares or debentures of a company" Every prospectus must be *dated*, and before it can be issued a copy, signed by all the directors, must be filed with the Registrar of Joint Stock Companies; when issued the prospectus must state on the face of it that it has been so filed with the Registrar, and it is now usual to make this announcement the very first sentence at the head of a prospectus, as it conveys to the lay mind a certain suggestion of official approval.

Prospectuses issued at the time of a company's formation must contain the fullest possible information about the company, including, *inter alia*, the whole of the Memorandum of Association, names and particulars of directors, with their proposed remuneration, share qualifications, details of any founders' or management shares, particulars of vendors, purchase money, amount payable for goodwill, etc. Even where no prospectus is issued, the company must file with the Registrar what is called a "*Statement in lieu of Prospectus*," signed by every director and containing full information as to the capitalisation, objects, etc., of the company. (For full particulars see *Gore-Browne's Company Law Handbook*.)

PROTEST. (*Fr.* Protêt; *Ger.* Protest.) See "*Dishonour*."

PROXY. (*Fr.* Procuration; *Ger.* Vollmacht.) Proxies, or votes by proxy, play an important part in the meetings of limited liability companies and, generally, of all associations whose officers are chosen, or whose resolutions and regulations are made and rescinded, by the body of the members. The word is used in three senses: (1) It signifies the act of representing another, as in the phrase "voting by proxy"; (2) the person who acts in place of another is called a "proxy"; (3) the written document authorising one person to act or vote for another is called a "proxy."

Proxies, unless fenced round with elaborate precautions, are liable to be, and often are, much abused; but where the members of a company or society live at a remote distance from the seat of an election, or place of meeting, it is often the only way of giving them a voice in the management of their own affairs.

As there is an idea in the minds of the uninitiated that there is something disreputable in the *getting-in* of proxies by the management of a limited company, the following quotation may be made from *Gore-Browne's Handbook*: "The Directors may employ the company's funds in printing or sending out to shareholders proxy forms filled up

with the names of the directors or their nominees as the proxies, and in stamping the forms or the envelopes in which to return them ; indeed, it is *their duty* thus to advocate the policy which they believe to be in the interests of the company."

PUBLIC COMPANIES. See "*Limited Liability Companies.*"

PUBLIC TRUSTEE. (*Fr.* Administrateur officiel ; *Ger.* Oeffentlicher Verwalter.) The office of "Public Trustee" was first created by Act of Parliament in 1906, with the object of providing a public paid official who could be nominated by any testator as executor of a will, and could also be appointed by the Courts as administrator of estates. The institution has proved a success, and already administers estates valued at about £125,000,000.

After the outbreak of war in 1914 the Public Trustee was considered a suitable official to undertake the duties of Custodian of Enemy Property under the "Trading with the Enemy" Acts, and the importance of the Public Trustee's Department was thereby tremendously increased

PUT and PUT-AND-CALL. See "*Option.*"

Q

QUARTER DAYS. (*Fr.* Termes ; *Ger.* Vierteljaehrige Zahltermine.) Certain periodical payments, particularly of rents, etc., are always made to fall due at the end of a quarter. However, the actual days do not correspond in point of actual date, for historical reasons. In England the four *Quarter Days* are March 25th (Lady Day), June 24th (Midsummer Day), September 29th (Michaelmas Day), and December 25th (Christmas Day). Strictly speaking, however, the last should be given as December 24th, since no payments are effected on Christmas Day. In Scotland the *Quarter Days* are quite different, being February 2nd (Candlemas), May 15th (Whitsun), August 1st (Lammas), and November 11th (Martinmas).

QUORUM. (*Fr.* Quorum ; *Ger.* Beschlussfaehige Zahl.) The fixed *minimum* number of persons who must be present at a meeting to warrant the transaction of business. Table "A" of the Companies Acts provides that three members *personally* present at a meeting constitute a *quorum*. A single person, it was decided as long ago as 1876 in *Sharp v. Dawes*, cannot constitute a *meeting*, and this ruling would probably be upheld by the Courts even in the case where a company's Articles provide that the stated *quorum* may be made up of persons present "*personally or by proxy.*"

QUOTATION. (*Fr.* Cote ; *Ger.* Notierung.) A statement of

price, usually the *double price*, i.e., bid and offered. See also "*Stock Exchange*," "*Price*," "*Listing*," etc.

R

RATE OF EXCHANGE. (*Fr.* Cours de change; *Ger.* Wechselkurs.) See "*Discount*," "*Foreign Exchanges*," etc.

RATE OF WAGES. (*Fr.* Gages; *Ger.* Arbeitslohn.) The scope of the present work does not permit of a detailed treatment of this highly important topic, but a few leading points may be touched upon, if only to indicate fields of research.

As in the case of "*Labour*" (*which see*), "*Wages*" must be distinguished in their subjective and objective aspects. If there were true "equality of opportunity," true competition, and absolute *mobility* of labour, it would not be difficult to show that, as Professor Nicholson says, "the net advantages of all employments would tend to equality"; so much for the subjective aspect of wages; on the other hand, from the objective standpoint we have the proposition that, "equal efficiency tends to be paid for at equal rates." Actual conditions, however, are unfortunately so far removed from the theoretical premises stated, that some people are pessimistic enough to declare that the advantages of a certain occupation vary *directly* as its agreeableness or desirability, instead of inversely, as ought theoretically to be the case. It is the absence of free competition that raises such problems as the low pay granted for highly disagreeable employments, the relatively low wages of agricultural labourers and women, etc., and one of the main causes hampering free competition is the cumulative effect of poverty in cramping the physical and intellectual development of millions of potential wage-earners.

"Heredity and sex," says Professor Cannan, "are the two greatest causes of inequality of income from work."

Economists makes a distinction between "real wages" and "nominal" wages," the latter being the money wage and the former taking into account all the facilities or drawbacks attendant on the particular occupation. Thus, if a comparison is to be made between town and country wages, such questions as relative rents, the weekly "riding money" of the suburban-dwelling town worker, the facilities in the way of garden, allotments, etc., for growing vegetables, keeping bees, or other "spare time" work, and so on, would have to be carefully considered. Here may be a convenient place to refer to the old-time method of making part payment in commodities, known as the *Truck System*"; this system was so much abused that it has been virtually destroyed by the Truck Acts.

Iron Law of Wages. Arising out of the Malthusian view of population, there was in the first half of the nineteenth century a widespread

idea that it was useless to try to improve the lot of the so-called *working-classes*, since any increase in their wages over the *minimum of subsistence* would result in larger families, eventual increase in the supply of labour, and automatic re-imposition of the *minimum of subsistence* wage by the inevitable action of competition. This theory was known as the *iron law of wages*, but it is now generally recognised that the *minimum of subsistence* is better described as a *minimum standard of comfort*, and as a matter of historical fact the rise in wages during the past century has not been accompanied by any proportionate increase in the size of families, rather the reverse in fact.

Trade Unions. Although the bottom has been knocked out of the specious "iron law of wages," many people persist in persuading themselves that combinations of workers, now generally known as trade-unions, have not and cannot benefit the so-called working classes. The best answer to this view is the popularity of trades-unionism with the men most intimately concerned, and, as mentioned elsewhere (see "*Limited Liability Companies*"), employees are perfectly justified in combining for joint action against "employers," who are no longer individual capitalists, but companies representing huge aggregations of wealth. In the old days there might have been some show of reason in counselling a worker to place his trust in the fair-mindedness and magnanimity of his employer, but no worker can reasonably be expected to face single-handed—and with only a week's wages between his family and the gutter—a managing director, or other person of the "*entrepreneur*" class, whose only interest is to make dividends for shareholders who, whatever their individual virtues, are particularly soulless as a body.

The relative advantages of piece work and time work, the probable effects of a minimum wage, etc., are questions which would take up too much space in the present volume.

REAL ESTATE. (*Fr.* Biens immobiliers; *Ger.* Grundeigentum.) See "*Personalty*" and "*Property*."

REALISATION. (*Fr.* Réalisation; *Ger.* Realisirung.) The process of converting into a reality what was previously contingent or doubtful. Thus, if I buy Consols at 51 net, and soon afterwards have an opportunity of selling them at $51\frac{1}{4}$ net, there is a profit of $\frac{1}{4}\%$ upon the operation, but that profit is contingent on my closing the bargain at that moment; for, if I resolve to keep it open, it is quite doubtful whether the price may rise or fall, that is, whether I shall increase my profit or lose it altogether. If I remove the doubt or contingency by closing the bargain, the profit is a real one; in other words, it is *realised*, and the act itself is called *realisation*. In the verbiage of the financial journalist, "realisation," like "liquidation," is used merely as a variant of "sale" or "selling," without any idea of profit-taking.

To *realise assets* is to dispose of them for cash.

REBATE. (*Fr. Rétrocession ; Ger. Rabatt.*) Any form of allowance, such as a discount, etc. ; principally, however, used in reference to the deduction made in favour of the party *taking up a document-bill* before due date. See "*Document-Bill*."

RECEIPT. (*Fr. Quittance ; Ger. Quittung.*) A *Receipt* is a written acknowledgment of the receipt of goods or money. If complete, a receipt should contain (1) the date when the goods or money was received ; (2) the name of the person or firm from whom received ; (3) the name of the person or firm receiving it, duly authenticated by signature or by initial of authorised agent ; (4) in the case of a receipt for *money* the person issuing the receipt must sign over a 1d. stamp for amounts of more than £2. The cost of the stamp must be borne by the person or firm receiving the payment. Whatever the law on the subject may be, there is a wide divergence in the practice of acknowledging payments made by *cheque*. Some firms acknowledge all cheques over a 1d. stamp ; other firms never think of affixing stamps in such cases. In this connection it may be observed that an *unstamped receipt* is admissible as evidence, although the party receiving payment may be liable to a penalty for evasion of the Stamp Acts.

A receipt is the best evidence of payment, but it is not the *only* evidence, and may be upset by other evidence, as in the case where an error has been made.

RECEIPTING A BILL. (*Fr. Donner Quittance ; Ger. Quittung aufschreiben.*) To *receipt a bill*, or an account, is to write the word "Received" at the foot of it, all other particulars being discoverable in the document itself. Signature and date must be added, and stamp if required (see above).

RECEIVING ORDER. (*Fr. Mandat d'action ; Ger. Konkursverwaltungsorder.*) The order made by the Courts in appointing an Official Receiver (*which see*). A concern against which a receiving order has been made is said to be *in receivership* or *in the receiver's hands*. The term "*friendly receivership*" implies that all parties have agreed on a receivership as the best means of arranging the company's affairs.

RECONSTRUCTION. (*Fr. and Ger. Reorganisation.*) The reorganisation of a limited company on its financial side, including reduction of capital, change of amount or nature of shares, etc.

RECOURSE. (*Fr. Recours ; Ger. Regress.*) The phrases "*with recourse*" and "*without recourse*" are inserted in commercial documents to indicate respectively two opposite conditions on which a bargain is concluded ; thus :

(a) *With recourse* implies that a sale or purchase has been made on condition that the thing sold is of the kind or quality taken for granted

at the time of the sale. If on examination it is found to be of an essentially different kind or quality, the buyer is entitled to *have recourse* to the seller, and to claim an annulment of the bargain, or compensation for any loss he may have suffered. A familiar example is that of the purchase of coupons by a money-changer. When a coupon is thus bought, the buyer sometimes finds that the bond from which it was cut off has been drawn for repayment, that all interest upon it has ceased, and that the coupon is therefore valueless. If he has bought it *with recourse*, he returns it to the seller, and claims refund of the amount given for it.

(b) *Without recourse.* It sometimes happens, however, that buyers are willing to take coupons and other instruments, and at the same time to accept any risk attending the transaction. This occurs when there is much competition among buyers of a particular article, or when a seller is willing to take a lower price for it in order to be relieved of any risk or trouble attending the transfer of it. The purchase is then said to be made *without recourse*.

In the endorsement of bills or notes, the endorser sometimes finds it necessary to protect himself against any default on the part of other parties to the bill. In such case he frees himself from liability by adding the words “sans recours,” or “without recourse to us,” to the usual form of endorsement (*which see*).

REGISTERED BONDS, SHARES, etc. (*Fr.* Titres nominatives ; *Ger.* Eingetragene Stuecke.) Registered bonds and shares are so called because they are entered with the name of the holder in a register kept for that purpose at the office of the company or state issuing them. They are thus distinct from Bonds and Shares to Bearer (see “*Bearer*”), which latter, moreover, usually have sheets of coupons attached ; it is, however, possible to have bonds and shares *registered as to principal only*, in which case coupons for interest and dividend payments are supplied as in the case of “bearer” certificates. (See also under “*Share Certificate*”) The distinction between *registered* and *inscribed* stocks (see “*Inscribed Stock*”) is that the former can be transferred by deed (see “*Transfer*”), whilst the latter, as explained, can only be transferred by entry in the books of inscription in the presence of the holder or his attorney.

Registered stocks are considered more secure for those persons who have no strong rooms or safe for the deposit of their bonds.

The Articles of a company often provide that registered stock may be converted in bearer for a nominal charge ; again, where large companies have different share registers in various centres, one hears such expressions as “transferring the stock from the London to the New York register.”

REGISTER OF MEMBERS. (*Fr.* Registre des membres ;

Ger. Aktionaeren-Register.) It is obligatory on all limited liability companies to keep a “*Register of Members*,” which must show not only the name, address, and occupation of each shareholder, with particulars of his holding, but also the date at which each shareholder was entered as a member and the date at which he ceased to be a member.

The Register of Members must be open *gratis* to inspection by shareholders, and other persons may claim inspection thereof on payment of a fee not exceeding one shilling; such person may not himself make copies or extracts, but can require to be furnished with copies on payment of 6d. for every hundred words. This is the source of information of those people who specialise in preparing lists of *moneyed folk* for circularising purposes. The Somerset House copy of any Register of Members can be inspected for a fee of one shilling.

REGISTER OF MORTGAGES. (*Fr. Régistre d'Hypothèques; Ger. Hypotheken-Register.*) Like the *Register of Members* (see above), the Register of Mortgages is a compulsory record required by the Companies Acts. It must comprise all the mortgages and charges which are extant on any of the company's property, and is intended primarily for the protection of a company's creditors; as, however, only *specific* charges need be registered, a debenture issue which has as security a *floating charge* need not be entered on the Register, but is, of course, readily ascertainable from other data which the company has to supply to the Registrar of Joint Stock Companies. A person wishing to inspect the Register of Mortgages need not go to the company's office, as a copy has to be filed with the Registrar, and can be inspected at Somerset House on payment of a fee not exceeding one shilling.

RE-INSURANCE. See “*Insurance*.”

REMEDY. (*Fr. Tolérance; Ger. Remedium.*) *Remedy* or *Allowance* is a technical name for the departures from the standard weight and fineness allowed to the Mint-master to cover imperfections of workmanship. There are two ways of denoting this divergence from the standard:

1. The *Millièmes System*, by which the departure is expressed as so many parts in one thousand. This method is adopted in France, and in most countries where the *Metric System* is in use. The *Tolerance* in France, and, indeed, in all those countries which belong to the Latin Monetary Convention (*which see*), is two parts in a thousand—2 per mille—both for weight and fineness, in respect of the *gold* coinage, and 3 per mille in that of *silver*.

2. The *English System*, which is much more clumsy and complicated. In respect of *Weight* it is denoted by so many grains in the pound troy. In respect of fineness, by so many carats in 22 carats, both of which, however, can easily be reduced to millièmes when comparison with other coinages is desired.

For gold, the remedy in respect to *fineness* is one-sixteenth of a carat in 22 carats, which represents $\frac{1}{32}$ nd part of any given weight, or about 3 per mille. In respect to *weight*, the allowance is 12 grains in the pound troy, which is about $\frac{1}{4}$ grain for the sovereign. More accurately, the Coinage Act states two-tenths of a grain as the allowance for weight, and two parts in one thousand for the fineness of a sovereign.

For silver, the remedy in respect to *fineness* is 4 parts in one thousand, or, as it is sometimes stated, 1 pennyweight in the pound troy, which is 4 parts in 960. In respect to *weight*, the allowance is the same, and is expressed in the same alternative manner.

It is to be observed that the limits above assigned as *allowance*, *remedy*, or *tolerance*, apply in both directions; that is, the standard must not be departed from either by addition to weight and fineness or by deduction. In the first case, the Mint-master would wrong the Government; in the second, the public who accept the coin. Now a sovereign, when of full legal weight and fineness, weighs 123·27447 grains (see "*Pound*"), and the legal remedy is two-tenths of a grain. Hence a glance at the following table shows that a sovereign is not a legal issue when it weighs more than 123·47447 grains, or less than 123·07447 grains.

Superior limit	123·47447 grains.
Full legal weight	123·27447 grains.
Inferior limit	123·07447 grains.

Notice, further, that these stipulations as to *remedy* refer only to the *time of issue* of the coin, and are not to be confused with the statutory provisions as to the minimum weight with which a coin is allowed to remain in *circulation*. See "*Abrasion*."

REMITTANCE. (*Fr.* Remise, paiement; *Ger.* Rimesse.) In commerce a remittance is something sent, usually money, bills, or bullion. It is not usual to apply the term to goods or commodities sent out, for which purpose it is more usual to talk of *despatch*, *consignment*, *forwarding*, *delivery*, etc.

REMONETISATION. (*Fr.* Rétablissement de la monnaie; *Ger.* Geld wieder in Kurs setzen.) By the *remonetisation* of a coinage is meant the re-establishment of such coinage after having for a time been degraded to the rank of mere token money. Holland furnishes a case in point. By the monetary laws of 1847 and 1849, the gold florin was made the standard of value and the unit of account. In 1850 the gold coinage was suppressed and demonetised (see "*Demonetisation*"), silver being made the standard of value. Later the laws of 1847 and 1849 were re-established; in other words, the gold coinage was *remonetised*, and made again the standard of value.

RENEW BILLS. (*Fr.* Renouveler des billets; *Ger.* Wechsel erneuern.) An ordinary commercial bill of exchange drawn against

a shipment of goods is intended to be paid at maturity, but accommodation bills (*which see*), and finance bills generally, are as often as not renewed at maturity; that is to say, fresh bills are drawn and discounted to meet the payment due on the old bills. In practice this is a much more effective distinction between finance and commercial bills than any question of relative security.

RENT. (*Fr.* Loyer; *Ger.* Miete.) The term *rent* as used by economists (*i.e.*, "economic rent") has a meaning different from that usually associated with the word. Technically, it is defined as the remuneration paid for the use of land and other *natural agents*, or, rather, that part of such remuneration which represents, in the words of Ricardo, the actual "differential profit that arises from differences in the cost of production owing to differences in permanent natural conditions."

As corn of a certain grade fetches a fixed price in a given market at a given time, irrespective of the conditions under which it was cultivated, it needs little demonstration that the profit derived from cultivating what may roughly be described as more productive land will be greater than that derived from what may be classed as inferior lands, and that, assuming free competition, higher rent will be offered for the more productive land than for the inferior. Let it be hastily added, however, that the terms *more productive* and *inferior* are not used in relation to the nature of the soil as temporarily affected by manures, etc., but to permanent natural conditions, *e.g.*, subsoil, climate, *accessibility*, etc.

Thus, to keep to the case of corn, the wheat lands of Canada and the Argentine may be said to be *inferior* to home farms in point of nearness to the central market, but as the cost of shipping large consignments of grain by water is relatively much cheaper than land transport, the inferiority in this respect is not so great as might at first sight appear.

Wheat from the farms of this country has to compete in open market with wheat grown on the virtually free lands of the New World, and as the brokers of Mark Lane and the Baltic may safely be assumed to act without any sentimental weakness for the landed interest, it is evident that—allowing a reasonable profit to the actual growers—it is what might be called the *free land* wheat which determines the price. In so far as that price leaves a differential profit to home growers, such differential profit may, or might under a more mobile system of land tenure, be secured by the land-owner, as distinct from the land-farmer, by the ordinary process of competition amongst farmers, in the form of *rent*.

The essential fact to be borne in mind is that, as a careful consideration of the above instance will show, *rent* depends on the price of the product, not the price of the product on rent. This is well illustrated by the fall in agricultural rents in this country since first corn began

to reach us from abroad; the fall of rents has been impeded by the rigidity of our system of land tenure, the particular force of custom in matters agricultural, and the alternative demand for land for building and market-garden purposes, but the indisputable fact remains that rents in general have fallen owing to the appearance of grain, meat, and wool from the other side of the world.

The case may be stated somewhat differently, as follows: The yield of wheat to the acre in this country is, on the average, roughly twice the average yield in the newer countries of the world; but the "law of diminishing returns" (*which see*) places a limit to the amount of labour and capital it is profitable to employ on a given area, and so resort is had to other areas which in themselves are less productive. In other words, our wheat supply is raised on lands of all degrees of fertility and natural productiveness, as well as on lands of all degrees of accessibility to markets, and since it may be assumed that it just pays to grow wheat on those lands which are, as it is termed, on the margin of cultivation, it follows that, as there is only one price for all, the farmers of the more accessible or more productive lands make a differential profit, which differential profit is theoretical, economic rent of the land in question, and differs from the actual rent only in so far as modified by long-dated agreements, custom, inertia, and sentimental considerations.

Such, in painfully bald terms, is the general theory of rent, a theory the importance of which is in no way diminished by the difficulty in any given instance of dissociating rent in this economic sense from the many other elements which enter into rent as understood by the man-in-the-street.

Given a certain known, cultivable area, and certain known methods of cultivation, an increase in population, producing a need for additional supplies of raw material, must mean a resort to land hitherto outside the *margin of cultivation*, or the application of less productive *doses* to land already cultivated (see "*Diminishing Return*"). This in turn implies a bigger "differential profit" to the cultivators of the best situated and most productive lands, and, consequently, will enable the owner of such lands to secure a higher *rent*. Thus increasing population tends to raise rents, but *not*, as is often supposed, because the landlord *demand*s more, but simply because by the very nature of the case the "differential profit" must get bigger as less and less fertile land is taken into cultivation. It follows that to adopt the programme of the "back-to-the-land" enthusiasts, shut out foreign corn supplies, and start digging up fields which are, at present, far below the *margin of cultivation*, would be to make a handsome present to landowners, whose rents would go up enormously, whilst the community as a whole would suffer by having called into operation against itself the "law of diminishing returns."

By analogy with the rent of natural agents, an attempt has been

made by some economists to popularise the term *quasi-rent* as descriptive of any "differential profit" enjoyed by a manufacturer, merchant, organiser, or even manual worker, which is derived from some monopoly he may enjoy by reason of temporary market conditions, patent rights, exceptional natural aptitude, exclusive knowledge, or other factors of a like nature.

Commercial rents differ from economic rents in that they contain other elements, *e.g.*, the rent of a farm includes remuneration for ameliorations and betterments; the rent of a building includes some return of the cost of erection, and so on.

RENUNCIATION. See "*Letter of Renunciation*."

RESERVE. (*Fr.* and *Ger.* ditto.) See (a) "*Gold Reserve*," (b) "*Liability*" (for *Reserve Liability*).

RESOLUTIONS (by limited liability companies). The Companies Acts distinguish three distinct kinds of resolution, viz. :

- (a) Ordinary Resolution.
- (b) Special Resolution ;
- (c) Extraordinary Resolution.

Ordinary Resolution. Ordinary routine matters are decided by the company in General Meeting, and resolutions are carried by a show of hands. But if the show of hands is held not to be conclusive, a certain number of shareholders (the number must be found in the Articles of Association; *Table "A"* prescribes *three* members) may demand a poll. In the case of a poll being taken, the voting power of the members present varies with the number of shares they hold (as prescribed by the Articles), and proxies can be employed on behalf of absent members. In the case of an equality of votes, the chairman has a casting vote.

Special Resolution. To prevent *hole-and-corner* meetings, and *snap* votes, the law has laid down that certain matters cannot be decided by ordinary resolution of the company in general meeting, but must be carried in the form of an *Extraordinary* resolution (*see below*) at one meeting, and then confirmed at a subsequent meeting; after such confirmation they become *Special* Resolutions. Among the matters which the law provides must be decided by Special Resolution are, alterations in the Memorandum of Association, or Articles, distribution of accumulated profits, reduction of capital, voluntary winding-up, changing the name of the company, etc.; in addition to the matters specified in the Acts, other matters may be made subject to Special Resolution by insertion of provisions to that effect in the Articles of Association.

Extraordinary Resolution. An extraordinary resolution is one submitted to an ordinary general meeting of the company *after due notice given*. It must be passed by a three-fourths majority of such members of the company who are present either in person or by proxy. Extraordinary Resolutions, in so far as they are not merely preliminary

to *Special Resolutions* (see above) are usually associated with winding-up (*which see*).

RESPONDENTIA BOND. See "*Bottomry*."

REST. A technical term used in the weekly Bank of England Return (*which see*).

RETIRE. (*Fr.* Retirer; *Ger.* Einlösen.) To retire a Bill or Note is to withdraw it from circulation, which is usually effected by one of the parties to it—mostly, of course, the drawee of a Bill, or the maker of a Note—paying the sum due at maturity. If a Bill or Note is retired before maturity, it is usual to allow a discount or rebate. See "*Document Bill*."

REVENUE ACCOUNT. (*Fr.* Compte de revenu; *Ger.* Einnahmekonto.) An account kept by a trading company, showing the income of the company on the one side, and the expenditure chargeable against income on the other. It is thus distinguished from the Capital Account, which shows the subscriptions of the shareholders on the one side, and the charges against capital on the other.

REVERSIBLE CABLE ADDRESS. See under "*Cabling*."

REVERSION. (*Fr.* Réversion; *Ger.* Anwartschaft.) A reversion is an annuity or some other benefit, the enjoyment of which begins after a given number of years, or after the occurrence of some event, such as the death or birth of a certain individual. Reversions are bought and sold in the market like any other rights.

RIGHT OF ACTION. (*Fr.* Droit d'action; *Ger.* Klagerecht.) In Mercantile Law, the right of one person to claim a debt due by another, or to claim damages for a breach of contract or tort.

An *Action in Law* is defined to be "the lawful demand of one's right." But as there are some things to which one has a right although that right cannot be enforced in a court of law, *e.g.*, the right of parents to the respect and obedience of their children, the right of children to the affection of their parents, the right to an office of the most competent and deserving, it follows that there are some rightful claims which cannot be made the subject of an *action* at law. This is commonly expressed by saying that the person has no "Right of Action" with respect to those claims. On the other hand, there are certain claims so clearly defined that there is no difficulty in enforcing them by law. Such are claims to houses or lands held under an undisputed title, and notably sums of money due by one person to another.

These last, owing to the accuracy with which they may be stated and recorded, and the simplicity of the subject-matter of the claims, are rendered pre-eminently amenable to legal treatment, and in the earliest periods of commercial enterprise the attention of merchants and bankers was occupied in devising the best forms in which money claims could be recorded, so as to make them readily negotiable, and

at the same time render the money easily recoverable in a court of law. Out of these efforts grew the now established form of modern Bills of Exchange, Promissory Notes, Dock Warrants, etc., the usefulness and negotiability of which arise from the fact that they carry with them the right of action so absolutely as to be beyond question, while they may be transferred from one person to another by simple endorsement, without any form of conveyance or registration similar to that required in the transfer of property in houses or land. See also "*Action*," and "*Limitations, Statute of*."

RIGHTS. (*Fr. Droits; Ger. Vorrechte.*) A right to anything is a claim to that thing protected by legal remedies, *i.e.*, a claim which gives a "*Right of Action*" (*see above*). Blackstone draws the following distinction between Rights of Possession and Rights of Property.

A *Right of Possession* is a right to anything hired, borrowed, or received in deposit as security. A banker, for example, has a right of possession in £1,000 Russian Bonds deposited with him as security for a loan, but he has no right to treat them as if they were his own property; he is not at liberty to lend or sell them, or appropriate the half-yearly interest on them, but simply to hold them in his possession as security for the money lent. Only in the event of the default of the borrower may certain rights of property in the bonds accrue to the banker.

A *Right of Property* is a right to claim certain things as one's own, which includes the right to use those things, sell, or otherwise dispose of them as he chooses, always with the proviso that he shall not use or dispose of them in such way as to injure or molest anyone else. £1,000 in Russian Bonds purchased by a banker out of his own capital stand in a very different position from the same bonds deposited with him as security. These are his own; he has a right of *property* in them; he may sell them, lend them, take the interest on them, and appropriate it to his own use.

In most bankers' portfolios commercial bills are to be found in great numbers, which are held under one or other of these rights. Some are *deposited* simply as security against money lent; over these the bank has simply the right of possession. Others have been *discounted* (that is, *bought* at a discount), and over these the bank has a right of property. This distinction is of great importance in banking practice.

Rights are said to originate in this wise. "The necessities of his physical position oblige man to exert his power over the world of things. At first the property is held by the community or tribe, then by the family, and lastly by the individual; and when society has reached this last stage . . . his special interests prompt each man to claim, as against his fellows, an exclusive interest in particular things."—*Justinian*. See also "*Cum*," "*Ex*," and "*Letter of Renunciation*."

RING. (*Fr.* Ligue; *Ger.* Ring.) A *ring* is a slang term, meaning trusts, combine, pool, etc. In particular it is applied to combinations of shipping companies.

ROYALTY. (*Fr.* Redevance; *Ger.* Abgabe.) A *Royalty* was originally something due to the King, such as a payment on mineral produce, on manufactures, on imports or exports. The same word is now used to denote a payment made to any person in return for some privilege or concession; as, for instance, the payment made by a manufacturer to the inventor of a machine at a specified rate for every machine made or sold (see also "*Letters Patent*"); or that of a coal-mining company to the land-owner for every ton of coal extracted. See also "*Seignorage*."

RUNNING POLICIES. See "*Block Policy*."

RUN ON A BANK. (*Fr.* Descente sur une banque; *Ger.* Andrang an eine Bank.) When in times of civil commotion, foreign complications or financial strain, a number of depositors of a particular bank suddenly show alarm for the safety of their money, or when holders of bank-notes begin to fear their convertibility, it is not unusual for them to rush panic-stricken to the bank for the purpose of withdrawing their deposits or cashing their notes, as the case may be. When such a phenomenon occurs, it is technically called a "*run*" on the bank.

RUPEE. The name *Rupee* is given to several different coins in different Asiatic states, but when the word is used without qualification it refers to the *Indian Rupee*, the unit of value in British India. It consists of silver, $1\frac{1}{2}$ ths or .9166 fine, and weighs 1 *tola* Indian weight, 180 troy grains, or 11.664 grammes. The fluctuations and depreciation of silver in the course of last century caused serious disturbance to trade with India on account of the fluctuations and depreciation of the Rupee; at one time the Rupee passed at a fixed valuation of 2s., but this had to be reduced subsequently to 1s. 4d., at which figure it stood till August 1917, when it advanced to 1s. 5d.

By December 1919 the official rate was 2s. 4d., and in February 1920 the Government adopted the proposal of the Committee on Indian Exchange and Currency to establish the relation between the rupee and *gold* (not currency notes) at the rate of Rs. 10 to one sovereign.

RUPEE PAPER. See "*Enfaced Paper*."

S

SALE OF GOODS ACT. This Act is a codification of the law relating to the purchase and sale of goods. Many of its provisions are

stated incidentally in other parts of the present work (see e.g., "*Buyer's Risk*," "*Delivery*," etc.), but one or two points may conveniently be enumerated here.

Implied Undertaking as to Quality. Where the buyer expressly, or by implication, makes known to the seller the particular purpose for which the goods are required, so as to show that the buyer relies on the seller's skill or judgment, there is an implied undertaking that the goods shall be reasonably fit for such purpose. See also "*Conditions and Warranties*."

Evidence of Bargain. A very important part of the Sale of Goods Act is contained in Section IV., which provides that a contract for the sale of any goods of the value of £10 or upwards shall not be *enforceable by action* unless the buyer shall accept part of the goods so sold and actually receive the same, or give something in earnest to bind the contract or in part payment; or unless some note or memorandum in writing of the contract shall be made and signed by the party to be charged or his agent on that behalf.

Notice, (a) that the bargain is not *void*, but simply *not enforceable* if the provisions of the Act are not fulfilled; (b) the *acceptance* in this section does not mean complete and final acceptance, but really only *reception* of the goods for the purpose of examination; (c) that there need be no formal written contract, but only some *note or memorandum* in writing.

SALVAGE. (*Fr.* Objets sauvés; *Ger.* Geborgene Waren.) Goods or property saved from a wreck or abandoned vessel, or from a fire on land. The same term is also applied to the *payment made* to those who assist in saving either the vessel itself or the cargo taken out of it when abandoned. There are certain companies which make a speciality of salvage operations at sea. It may also be noticed in passing that the well-known London Salvage Corps is *not* a branch of the L.C.C. Fire Brigade, but is a privately managed affair in the control of the big fire insurance offices.

SAMPLE. (*Fr.* Echantillon; *Ger.* Muster.) For the provisions of the Sale of Goods Act relating to sale by sample see "*Conditions and Warranties*."

Sampling is one of the minor industries of dockland. Many produce merchants regularly send out hundreds of samples in the familiar "sample-bags"; these samples are derived either from goods they already own, or from samples submitted by various brokers. In either case they come originally from the dock or wharf warehouse in one big "dock-sample," which is *drawn* on the written authority of the firm to whose order the goods are held. The Port of London Authority (*which see*) and the wharfingers have a regular service of vans and messengers constantly bringing samples from the warehouses to their City offices, samples which weigh sometimes several pounds.

The expression *out-turn sample* refers to a sample taken of goods as they "turn out" on arrival, and is therefore used in contradistinction to *original sample*.

SANS RECOURSE. See "*Recourse*."

SATISFACTION. (*Fr.* Acquittement; *Ger.* Bezahlung.) *Satisfaction* is a term derived from the commercial language of the Romans, to signify the complete discharge and extinguishment of debt. It differs essentially from *payment*, which is often effected by means of cheques, bills, notes, or goods delivered; this is not complete satisfaction of debt. The cheque must be presented and entered in the bank-book; the bill or note must mature, and be honoured at maturity; the goods delivered must be examined and proved to be what they purport to be, before the debt is *satisfied* and extinguished.

It is, however, of great importance to observe that if a receipt or acknowledgment be given for a cheque, bill, or goods in "satisfaction" or "full satisfaction" of a debt, the creditor has no further claim, and must bear any consequences resulting from his want of caution should the instrument be dishonoured or the goods prove unsound. See "*Laches*."

SCHEDULE. (*Fr.* Liste, Bordereau; *Ger.* Verzeichnis.) A *schedule*—which some dictionaries tell us should be pronounced *sed-ul*, and which is so pronounced by some lawyers—is mostly called a *shedule* in City circles. It usually signifies a short document appended to or accompanying some report or treatise, and is generally in the form of a list or tabulation, or consists of some details not essential to the body of the document, but given by way of amplification or illustration.

SCRIP. (*Fr.* Certificat provisoire; *Ger.* Interimschein.) A Stock Exchange term, contracted from "subscription." When a loan is issued, or a company is about to raise capital, the public are invited to "subscribe" to it, the invitation taking the form of a *Prospectus* (*which see*). The "subscriber" *applies* for the amount he wants—or, rather, the amount he thinks it necessary to apply for in order to secure *allotment* of the amount he wants—and in due course receives notification of the result. See "*Application*" and "*Allotment*."

The *Allotment Letter* is afterwards exchanged for "scrip," which is a kind of provisional certificate entitling the holder to claim definitive bonds or shares after payment of the outstanding instalments, which are clearly enumerated on the "scrip."

The term is, however, often used very loosely by stockbrokers. Thus, the allotment letter itself is often called "scrip," and sometimes, indeed, the word is used of any bond or share certificate, even *definitive* certificates. This latter use of the word can only be explained on the assumption that the word is confused with "script," and is understood to mean any writing or document in general.

SECURED CREDITOR. (*Fr.* Créancier assuré; *Ger.* Sicher-gestellter Gläubiger.) A creditor who holds "security" (*see below*) to cover the amount due to him, as distinct from an "unsecured creditor," who, be it noted, has a perfectly valid legal claim to payment, but holds no "security" which he could realise in the event of the insolvency of the debtor. Debenture holders are secured creditors.

SECURITY. (*Fr.* Valeur; *Ger.* Effekt.) (a) A certificate, bill, note, or other document giving the holder a title to a sum of money, to certain specified goods, or to property in lands or buildings.

(b) (*Fr.* Nantissement; *Ger.* Depot.) Goods or documents deposited as security for a loan or overdraft, or as guarantee for the performance of certain contractual obligations. See also "*Margin.*"

SEIGNORAGE, or SEIGNIORAGE. (*Fr.* Seigneuriage; *Ger.* Schlagschatz.) Seignorage, seigneurage, or seigniorage, signifies the charge or deduction made by the Mint authorities to cover the cost of coining metal brought to them. Seignorage was once an important royal perquisite, but English sovereigns lost their right to seignorage by a Statute of 1666.

In this country no charge is made for the coinage of gold. Any person taking to the Mint 40 troy pounds of gold $\frac{1}{2}$ ths fine, may have in return 1,869 sovereigns, each weighing on an average 123·27447 troy grains (*see "Remedy"*). Since there are 480 grains to the troy ounce, we find the value of one ounce of standard gold equal to £3 17s. 10½d., and any amount of standard gold whatever may be exchanged at the Mint at the rate of £3 17s. 10½d. per troy ounce. In practice, however, this is never done. Bullion is invariably taken to the Bank of England to be exchanged for coin; but instead of receiving sovereigns at the rate of £3 17s. 10½d. per ounce, the amount received is £3 17s. 9d., there and then, the difference of 1½d. per ounce being but a very small compensation for the trouble and expense of conveying the gold to the Mint, and for loss of interest involved for the period from the time the seller of the gold receives his *cash* at the Bank until the gold can be coined and ready for circulation. This 1½d. per ounce is, therefore, in no sense a *seignorage* paid to the Government, but simply a payment for ordinary banking services rendered by the Bank of England.

In the case of silver and bronze coins, these observations do not apply. These coins being merely *token money*, of a *metallic value* much inferior to the value at which they circulate, it follows that the Mint makes a considerable profit on their coinage. On the silver coinage alone the profit is something like £1,000,000 per annum, which, of course, more than covers the whole annual cost of the Mint. This profit on token money, however, hardly squares with our definition of seignorage as a *charge for the cost of coinage*, which latter is sometimes referred to as *Brassage*.

It has been urged that even on the gold coinage a *brassage* charge

should be made, on the ground that additional labour and capital is required to fit the metal for the function of currency, and that this outlay should appear in the value of the product; further, that in the absence of such a charge there is no check on the melting down of gold coin by jewellers and others for purposes of manufacture. To these arguments are opposed considerations of equal importance, viz., that the use of money is a general public benefit, and that the Government should maintain the Mint as it does the Army and Navy; that the total cost of coinage is relatively small and more than made good by the profit on token coins; that the country is compensated by the ease with which gold is exported if there is any tendency to accumulation in excess of the requirements of trade; and that, as coins need not then be melted for export, they acquire a certain qualified circulation in foreign countries and will probably ultimately return to this country still in the form of sovereigns.*

SELLING OUT. (*Fr.* Vente forcée; *Ger.* Zwangs-Verkauf.) The converse of "*Buying-in*" (*which see*).

SEQUESTRATION. (*Fr.* and *Ger.* ditto.) A legal process, called *sequestrari facias*, in virtue of which a sheriff, or other officer, is empowered to hold goods or property belonging to a person pending the settlement of a dispute or payment of a debt.

SERVICES. (*Fr.* Services; *Ger.* Dienste.) In Economics the term *services* has a technical meaning, as the counterpart to *commodities*. Of course, most commodities represent the embodiment of some service, but the distinction is nevertheless obvious, and at the same time very useful.

SETTLEMENT.† (*Fr.* Liquidation; *Ger.* Liquidation.) Apart from its general, and obvious, meaning in connection with commercial transactions, the word *Settlement* has a technical significance in Stock Exchange circles.

Although on the New York Stock Exchange all transactions are for payment next day (see "*Cash*"), it is the custom of other big Stock Exchanges to fix periodical *settlements*, or dates on which transactions are squared up. On the London Stock Exchange the settlements are bi-monthly, being alternately for *mid* of the month and *end* of the month, the intervening period being known as an *account*.

It must be noticed that the settlements of the London Stock Exchange (*which see*) are not, strictly speaking, fortnightly, and in practice the length of an *account* varies from 14 to 19 days, and in very exceptional cases even 21 days. The actual settlement dates are

* Of course the above considerations are inoperative so long as the gold sovereign is withheld from circulation.

† Since August 1914 all London Stock Exchange dealings have been for "*cash*," but this description is written in the present tense in anticipation of a speedy return to normal, pre-war routine,

fixed by the Stock Exchange Committee, to fit in conveniently with Bank Holidays, etc., and are always known two or three months in advance.

The majority of Stock Exchange transactions are effected for *mid* or *end* settlement, as the case may be, and, in fact, most bargains are concluded without any actual mention being made of the time of payment, it being recognised that transactions are *for the account*, as it is termed, unless *expressly* arranged otherwise. Consols have a special *monthly* settlement, but all other securities (save new issues as mentioned below) are dealt for the ordinary bi-monthly settlement, which means, in other words, that stocks bought and sold are paid for and delivered respectively on the ensuing settlement day, unless, of course, arrangements are made to "*carry over*" (*which see*).

The amount of routine work connected with a Stock Exchange settlement is so large that although one date is designated Settlement Day (or *Pay Day*) the settlement, as understood by stockbrokers, extends over four days. The first day (or "*Mining Day*") is given up to arranging *positions* in mining shares. By that day buyers must notify whether they will *take up* and pay for their purchases, or whether they wish to *give on*, or continue the shares for the next account (see "*Contango*"); similarly, sellers of Mining shares must decide whether they *deliver* against their sales or whether they prefer to *borrow*, or *take in*. On the second day (*General Contango Day*, or *American Day*) *all shares other than Mines* are similarly arranged. The third day is known as *Ticket Day*, and is occupied with various routine matters, such as passing names for transfers, and otherwise making final preparations for the deliveries and payments to be made on the fourth day, the Settlement Day proper, often known as *Pay Day*. The financial significance of a Stock Exchange Settlement is well reflected in the enormous bulge in the Bankers' Clearing House figures as each Settlement Day comes round. In the ordinary way *Pay Day* never comes on a Monday or Tuesday, and Saturdays do not count in what is stated above as to the four days occupied by a settlement.

Special Settlement. In the case of new issues, or securities which arise from an exchange of other securities, dealings sometimes begin before there is any scrip or certificates ready for delivery, or before the Stock Exchange think it right, on technical grounds, that dealings should take place for *ordinary account*. In such case transactions are effected for what is called *Special Settlement*; that is to say, delivery and payment has only to take place on some future date determined, or to be determined, by the Stock Exchange Committee.

SHARES. (*Fr.* Actions; *Ger.* Aktien.) The term *share* means really a *share of the capital* of a company, and consequently a participation in the good or bad fortunes of the concern. A share is therefore totally different from a debenture (*which see*), since a shareholder is a

member of the company, whilst a debenture-holder is merely a secured creditor. However, the ingenuity of promoters tends at times to obscure the distinction, as may be gathered from the following quotation from a leading article in the "Financial Supplement" of *The Times* : "Nor is the use of the word 'Debenture' free from abuse in this country. We had a notable instance of this a few months ago in connection with a financial trust company formed under the auspices of some of the leading banks. The name 'Debenture' was given to what was in most respects a Preference share. Indeed, considering the comparatively small amount of Ordinary capital ranking after it, one might almost regard it as really an Ordinary share 'subject to founders' shares,' to use the Stock Exchange official phrase. It has voting rights, it shares in surplus profits, it is entitled in a winding-up to participate in surplus capital, and, in fact, generally partakes of the nature of a share and not of a Debenture at all. We do not suggest that there was any intention to mislead, but in the interests of accuracy of nomenclature it was unfortunate that so bad an example should be set in such high quarters, for it is doubtful whether the various names attached to securities can practically be defined except by convention. Any attempt at legal definition would seem to involve an inexpedient interference with the freedom of companies to arrange their capital as they think fit."

Classes of Shares. The capital of a company is not usually all of one kind ; that is to say, some members take a more speculative risk than others, both as to profits and as to an eventual repayment of the principal sum in the event of a winding-up. Hence the emergence of various classes of shares, of which the more usual are briefly noticed below :

Preference Shares are such as convey a preferential right to a stated percentage by way of dividend. If, for instance, a company has issued 5% Preference (or Preferred) shares, such shares must receive their 5% out of profits before the *ordinary* shareholders get anything. If, however, the profits for any year are insufficient to pay even the full 5% Preference dividend, the Preference shareholders have no legal claim to the amount by which profits fall short of their full dividend, nor will the discrepancy be made good to them out of the profits of subsequent years, unless the shares are issued as :

Cumulative Preference Shares, which, as the name implies, entitle the holder to have any dividend or dividends in default made good out of the profits of subsequent trading.

Ordinary Shares. In the case of Ordinary shares, no dividend is guaranteed, and the yield is entirely dependent on profits, or, rather, on the manner in which the company decides to allocate such profits. The mere fact that a company earns sufficient profit to enable it to pay a dividend on its Ordinary shares does not necessarily mean that a dividend will, in fact, be paid ; the company may consider it wiser to

place the profits to a reserve fund, or to *put them back* into the business. It is, perhaps, scarcely necessary to add that the dividend distributed on Ordinary shares may, in the case of a prosperous company, be much larger than the dividend paid to the Preference shareholders of the same company; hence it would be quite incorrect to describe the Preference shares as necessarily more valuable than Ordinary shares. In the United States Ordinary shares are always called "*Common shares*."

Deferred Shares. Sometimes there is a special class of shares which *rank behind* the Ordinary, and only become entitled to dividend when the Ordinary shares are in receipt of a stated dividend, say, *e.g.*, 10%. Such Deferred shares occupy the same position with regard to the Ordinary as the Ordinary do with regard to Preference shares.

The foregoing is only a bare outline of the classification of shares, and in actual practice all kinds of distinctions are drawn, resulting in such hybrid expressions as Preferred Ordinary, Deferred Ordinary, Deferred "A," Deferred "B," etc.

See also "*Founders' Shares*," "*Bearer*," "*Registered*," "*Dividend*," "*Share Certificate*," "*Application*," etc.

The law does not bother itself with the nomenclature of the Stock Exchange, and treats all classes of shares as of equal rank, except in so far as express stipulations to the contrary are laid down in a company's Memorandum or Articles of Association.

SHARE CERTIFICATE. (*Fr. Titre; Ger. Certificat.*) A share certificate is a document issued under a company's seal in the form of a declaration on behalf of the company that a certain person named and described (in the case of *registered* shares) or the bearer of the certificate (if a *bearer warrant*) is the holder of a stated number of shares, the distinctive number of which must be enumerated.

In the case of *registered* shares, the ultimate proof of membership is the "*Register of Members*"; it is, therefore, not absolutely essential that a shareholder should possess a certificate (see, *e.g.*, "*Balance Ticket*," under "*Certified Transfer*"), but under ordinary circumstances a share certificate—being *prima facie* evidence of membership—is a convenient documentary confirmation of the holder's *locus standi*. For details as to *bearer* shares, see "*Bearer*."

In so far as a share certificate has not been tampered with, it is presumed to constitute an official and formal declaration on the part of the company that the particulars set forth correspond with the entries in its register of members. Hence, if a share certificate prove to be incorrect, the company will be *estopped* from going back on the particulars stated therein. Similarly, where a company has issued share certificates in which the shares are described as fully paid, the company will be *estopped*—as against a *bona-fide* holder for value—from pleading that, in point of fact, the shares are only partly paid.

For specimen Share Certificates see *Appendix*,

SHARE WARRANT. See "*Share Certificate*."

SHILLING. Previous to the reign of Henry VII. the *shilling* was a name given to a number of silver pennies, and not to any coin. In the time of the Saxons it was reckoned sometimes at four pennies, at others five. In the reign of the Conqueror it was fixed at twelve pennies, and has so ever since remained. But although the numerical relation between the penny, the shilling, and the pound (*which see*) has always, since the Conquest, been the same, the monetary value of each of these coins has undergone great alterations; in other words, the weight of silver they contained has greatly varied. The following table shows that immediately after the Conquest our Norman kings began to make a charge, or seignorage (*which see*), for the coinage of silver, inasmuch as the pound troy of silver, instead of being coined into 240 pennies, was divided into 256, the 16 additional pennies being a recompense to the king's "moneyers" for the cost of coining. From this time the *pound in money* was no longer a *pound in weight*, and subsequent kings carried the process of depreciation so far as to reduce the pound *sterling* to less than one-third the pound troy *in weight*.

	<i>Date.</i>	<i>The Troy Pound was coined into :</i>		
William I.	—	256	pennies	
Edward III.	1349	258	"	
Edward III.	1356	320	"	
Edward IV.	—	480	"	
Henry VII.	—	480	"	or 40 shillings
Henry VIII.	1527	512	"	" 42 $\frac{2}{3}$ "
Elizabeth	1560		into 60	"
Elizabeth	1600		" 62	"
George III.	—		" 66	"

The shilling, as a *coin*, was first struck in the reign of Henry VII. It was reckoned equal to twelve silver pennies, and 20 of these shillings went to the monetary pound. The fineness of the silver was that known from time immemorial as the "Ancient Right Standard," that is, 11 oz. 2 dwt. fine silver to 18 dwts. alloy. As the shilling was one-twentieth of the pound, its weight, according to the ancient method of computation, should have been $5 \cdot \frac{7}{10} \frac{6}{10} = 288$ grains troy. But since 480 pennies, or 40 shillings, were coined from the pound troy, the weight of each shilling was exactly one-half of this, or 144 grains. In 1560, the pound troy was coined into 60 shillings, in 1600 into 62 shillings, and by the Act 56 Geo. III. it was ordered to be coined into 66 shillings, which is the rate at which shillings are now struck.

The modern English shilling is therefore the $\frac{1}{66}$ th part of 5,760 grains = 87·27272 grains, or 5·65518 grammes of silver of the "Ancient Right Standard," i.e., $\frac{37}{100}$ ths, or ·925 fine.

SHIPPING. (*Fr.* Expédition par bateau; *Ger.* Verschiffung.) Although any detailed treatment of the shipping trade and of the many

matters of routine connected therewith would be impossible in the present volume, an attempt will be made in the following sentences to piece together in some sort of logical sequence an imaginary despatch of goods by steamer, in the hope of giving some sort of connected and intelligible meaning to words and phrases explained elsewhere.

Let us suppose that a London merchant has, in June, sold by *description* to M. Vandervelde, in Antwerp, 100 cases of First-Tide Hallowee Dates. In the middle of October our merchant receives a *Tender (which see)* from his broker that in respect of the contract against which he booked the above sale, there have been assigned to him 500 cases First Tide Hallowees *ex Bushire*. The *Bushire* duly arrives in the Thames and goes to Maloney's Wharf; shortly after our merchant gets a *weight account* from the broker for his 500 cases, and makes payment therefor against delivery to him of the corresponding "Delivery Order" on Maloney's Wharf Co.

He then lodges the delivery order at the City office of Maloney's Wharf, with instructions to "portmark 100 cases *one in ten*, Antwerp, and deliver to Clark's craft." To *portmark* means really to mark with the name of the port of destination, and in the case of such goods as dates it is not necessary to mark each individual box, but only a fair proportion, such as one in ten, *i.e.*, one box out of every ten boxes. The shipping companies insist on packages, or a certain proportion of packages, being "portmarked" in certain cases.

Meanwhile our merchant looks up his "Shipping Cards" supplied by the various shipping companies, to ascertain what steamers will be crossing to Antwerp by the time his 100 cases are ready. For such a small lot he is not likely to make any preliminary communication with the shipping companies, but if he had a larger consignment to make he might ring up to *reserve freight (i.e., to reserve accommodation)* on a certain steamer, or might even try to get a reduction in the usual freight rate by playing off one company against another. Having decided, say, to ship by the *Camaradie*, loading in London Dock, our merchant instructs Clark and Co., lightermen, to fetch the 100 cases from Maloney's Wharf to London Dock and place on board the *Camaradie*; at the same time he prepares Bills of Lading (*which see*), in respect of the shipment, lodges them with the office of the shipping company, and makes out his invoice for M. Vandervelde, giving the numbers of the 100 cases shipping, and taking the weights from the original weight account (of Maloney's Wharf) supplied by the selling broker.

Now enters the element of uncertainty, if not of romance, attendant on all shipping operations, even such an elementary one as taken for the present illustration. Fog may descend on the *Pool*, and by the time our 100 cases get into the London Dock the *Camaradie* may have "*sailed*" (*i.e., steamed out*); or again, Clark's barge may get alongside the *Camaradie* only to find that the ship is full, or that the

captain, like Nelson, turns a blind eye on the slimy date boxes and goes on filling up with more eligible cargo. If for any reason the goods do not get aboard before the steamer leaves, they are said to be *short-shipped*. In the case of non-perishable goods loading for ports across the North Sea, to which steamers run practically daily, short-shipment is no very serious matter, although it necessitates alterations in the Bills of Lading, fresh advice to the consignee, and other clerical readjustments. In the case of long-distance voyages, however, short-shipment is a serious thing, and may very easily result in lawsuits between shipper and shipping company, or between the shipper and his carmen or lightermen. When a big boat for Australia or the East sails, leaving half a shedfull of prospective cargo behind in the dock, the excitement at the shipowner's City office—with shippers ringing up one after the other to know whether their particular goods have been short-shipped—can well be imagined.

However, let us suppose our 100 cases safely hoisted on to the *Camaradie*. The Second Mate—in charge of the loading—casts a critical eye on the boxes, and notes on the "Mate's Receipt" the undeniable fact, "7 cases damaged," a record which can only be kept off the Bills of Lading by means of a "*Letter of Indemnity*" (*which see*, as also "*Bill of Lading*").

The merchant gets the Mate's Receipt from the City office of the lightermen, and sends it round to the shipping company, who will thereagainst hand over the signed bills of lading, either *freight paid*, or *freight forward*, as the case may be. Whether the bills, with a draft on M. Vandervelde for the invoice amount, are then handed to our merchant's bankers to be sent to Antwerp as a "Document Bill" (*which see*), or whether M. Vandervelde gets the bills sent direct to him, or handed to him by the Antwerp representative of our London merchant, depends, of course, on circumstances.

As *sequels* to the shipment may be mentioned, (a) the *declaration* of the shipment on the merchant's *block policy* (*which see*); (b) the entry of particulars thereof on the weekly "specification" required by the Customs for free goods; (c) the checking of the charge notes subsequently received from the lightermen for taking the goods from Maloney's Wharf to London Dock, from the shipowners for freight, if payable in London; and so on.

The routine of making an export shipment is much more complicated in the case of dutiable articles in bond, as quite a *dossier* of forms has to be *passed* for each consignment, and should there be a *short-shipment* the difficulties of getting the bond papers altered for another steamer are as complicated as red-tape can make them. See also "*Customs*."

SHORT. (*Fr.* *À la baisse*; *Ger.* *Nach unten*.) A Stock Exchange term denoting securities sold and not delivered. The opposite of "*Long*."

SHORT BILLS. (*Fr.* Billets à courte échéance; *Ger.* Kurzfristige Wechsel.) Bills having less than 10 days to run are considered *short bills*. Hence the name is often applied to Three Months Bills, or even Six Months Bills, when they have nearly matured, as well as to Bills drawn at sight or on demand.

SHORT EXCHANGE. (*Fr.* Cours de change à courte terme; *Ger.* Wechselkurs fuer kurzfristige Wechsel.) The rate of exchange quoted for "short bills." (See "*Foreign Exchanges.*") The opposite term, "long exchange," is seldom used, as it is too indefinite, the practice being to quote rates as 60-days', 90-days' rate, etc.

SHORT INTEREST. See "*Interest.*"

SHORT SHIPMENT. (*Fr.* Pas reçu à bord; *Ger.* Nicht an Bord genommen.) See "*Shipping.*"

SHUNTING. A name applied to stock and share arbitrage between London and Provincial Stock Exchanges. See "*Arbitrage.*"

SHUT FOR DIVIDEND. See "*Closing.*"

SIGHT BILLS. (*Fr.* Billets à vue; *Ger.* Sichtwechsel.) Bills drawn *at sight*, or *on demand*, in which case no days of grace are allowed. The rate of exchange on such bills is called the *sight* or *cheque rate*. See "*Foreign Exchanges.*"

SIGHTING A BILL. (*Fr.* Présentation; *Ger.* Praesentirung.) A bill is said to be *sighted* when, being drawn payable at sight, or so many days *after sight*, it is presented for acceptance to the person on whom it is drawn, so as to bring it under his *sight*. This should be done as soon after receipt as possible.

SINKING FUND. (*Fr.* Fond d'amortissement; *Ger.* Amortisationsfond.) When public loans are contracted, it is a common practice for the borrowing state or company to make such terms with the lenders as will satisfy their demands for interest and at the same time extinguish the loan by degrees until it is finally paid off. In order to effect this object, it is usual for the borrowing party to calculate a fixed rate per cent. on the whole loan, one portion of which rate is regarded as interest, and the remainder devoted to the extinction, or amortisation, of the debt itself. Thus, if a loan be contracted, and the borrower is prepared to set aside annually 6% of the sum borrowed until the loan is extinguished, 5% might be paid to the lenders as *interest*, and the remaining 1% applied to redemption of the debt. The 1% in such case, with its accumulations, would constitute what is called a "Sinking Fund," because by its application the original amount of the debt would continue *sinking* until it finally disappeared. It is usual to apply a sinking fund in this manner because it possesses two distinct advantages: (1) it provides a means of making a fixed charge for the service of the loan, and the borrower knows from the first

precisely what that charge will be, and (2) by the paying off of portions of the loan from year to year, the quantity remaining in the market is constantly diminishing, which will tend to make the outstanding bonds increase in value. See also "*Drawn Bonds*."

SLEEPING PARTNER. See under "*Liability*."

SOLA. (*Fr.* Seule; *Ger.* Sola.) Single or alone. Applied to a Bill of Exchange (*which see*) it indicates that only one copy of the bill is in circulation, and is thus distinguished from bills drawn in sets of two or three, when each copy is called respectively the *first*, *second*, or *third* of exchange.

SPECIAL ENDORSEMENT. (*Fr.* Endos spécial; *Ger.* Ausgefuelltes Giro.) See "*Endorsement*."

SPECIAL RESOLUTION. See "*Resolutions*."

SPECIAL SETTLEMENT. See "*Settlement*."

SPECIE. (*Fr.* Espèces; *Ger.* Metallgeld.) A general term signifying metallic money, in contradistinction to paper, bills, and other instruments of credit. Hence, *specie payments* are payments in coin or bullion, as distinguished from payments by means of inconvertible paper money; and *specie point*, which is another expression for *gold point*, explained under "*Foreign Exchanges*."

SPECIFICATION. (Same in *Fr.* and *Ger.*) The name given to the tabular return which exporters have to make to the Customs in respect of all shipments of *free goods*. For specimen form, see *Appendix*. In the ordinary way it is sufficient if this return is made out once a week. See also under "*Shipping*."

SPECIFIC GOODS. (*Fr.* Marchandise spécifique. *Ger.* Bestimmte Waren.) A term used in the Sale of Goods Act to indicate goods which are actually ascertained and identified at the time of purchase, as distinct from goods bought on sample or description. See under "*Buyer's Risk*."

SPECULATION. (*Fr.* Spéculation; *Ger.* Spekulation.) *Speculation*, in commerce, is a term of rather wide signification, and means primarily the expenditure of capital with a view to profit. The establishment of any new business, or the opening of a shop, is in this sense a speculation, and is often so called.

The term is, however, employed in a more restricted sense, and is, when so employed, intended to convey the idea of *hazard* and *risk*. Enterprises of all kinds are therefore more or less speculative, as, for example, the opening up of a mine, or the making of railways, for it is always doubtful whether a mine will be productive, or whether a railway will attract traffic enough to make it pay, even if and when engineering difficulties have all been surmounted. In all such enterprises the speculator "*looks forward*," "*hopes*," "*expects*" to make a profit

sufficiently large to compensate not only for his outlay and labour, but also for the risk he runs. These results being uncertain, his mental attitude is "speculative," and the enterprise itself is called a "speculation."

There is a yet more restricted use of the term *speculation*, in which it is intended to convey the reproach of something disreputable, and is considered as equivalent to *gambling*. Hence the common distinction drawn between *speculation* and *investment*, and since it is often tacitly assumed that the former is an entirely undesirable element in business, two brief quotations may be made from Mr. H. G. S. Noble, President of the New York Stock Exchange:

"Investors never build a new enterprise; that is left for the *speculators*. Investors buy into it after it is established and paying, taking a smaller but more certain return than the speculator who put the money into its beginning. All new enterprises are inaugurated by men who venture their capital on the promise of a profit. They are *speculators*."

"The speculator, buying because he thinks the price is going to advance, furnishes the broad market on which holders who want to liquidate can get an immediate conversion of their securities into cash."

SPLITS. (*Fr.* Subdivision; *Ger.* Separieren.) When the buyer of registered shares requires a lot of, say, 100 shares, which at present stand in a single name, to be transferred into several different names, *e.g.*, 10 to A. B., 20 to C. D., 20 to E. F., 20 to G. H., and 30 to I. J., the fresh registration is referred to as *splitting*, and the requisite transfers for the individual lots are called *splits*.

SPOT. See "*Price*."

STAG. A person who applies for a new issue (see "*Application*") solely with a view to selling out at a *premium* whatever amount is allotted to him. Promoting and issuing houses do their level best to weed out the *stags* when making allotments, as it is in their interest that as little as possible of a new issue comes back to the market. But it is difficult indeed to distinguish a genuine investor from a stag on the meagre information contained on a form of application. The most effective means of keeping out stags would be to raise the percentage payable on application to, say, 20% or 30%, instead of 5% as at present, but there are objections to this course on other grounds.

STALE CHEQUE. See "*Cheque*."

STAMP AND FEE. See "*Fee*" and "*Consideration Money*."

STAMP DUTIES. See *Appendix*.

STANDARD GOLD. (*Fr.* Or au titre; *Ger.* Muenzgold.) A mixture, or alloy, containing 11 parts of pure gold and one part of base

metal; in other words, standard gold is 22 carats, or $1\frac{1}{2}$ ths fine. It is represented in the *millièmes* system as $0.916\frac{2}{3}$ fine. Under the metric system standard gold is $\frac{9}{10}$ ths fine.

STANDARD MONEY. (*Fr.* Argent principal; *Ger.* Währungs-Muenzen.) *Standard Money*, as distinguished from *token money*, consists of coin which depends for its value upon the actual value of the metal of which it is composed. The legend and device stamped thereon merely show that the coin contains the proper quantity of metal of the requisite fineness. If the stamp were defaced, or the coins melted up, the metal would be worth just as much, and would pass at its full value in other countries as readily as new coins from the Mint. See "*Token Money*."

STANDARD OF VALUE. (*Fr.* Mesure de valeur; *Ger.* feste Valuta.) This term must be used with caution, as it is apt to lead to ambiguous thinking. It is used sometimes as practically equivalent to "*Measure of Value*" (*which see*), and at other times in the sense of "*Standard of Deferred Payments*"—a very different thing. See "*Money*."

STANDARD SILVER. (*Fr.* Argent au titre; *Ger.* Muenzsilber.) A mixed metal, containing 37 parts of pure silver and 3 parts of alloy; in other words, 11 ozs. 2 dwts. fine, with 18 dwts. of alloy; decimally expressed, 0.925 fine. See also "*Shilling*."

STATEMENT IN LIEU OF PROSPECTUS. See "*Prospectus*."

STATUTE OF FRAUDS. This old Act, dating from 1678, has a famous Section IV., which still has the greatest importance in relation to certain commercial transactions. It provides that no action shall (*i.e.*, can) be brought on any of the following, unless evidenced by some memorandum or note in writing, signed by the party to be charged, or by his agent:

- i. Promise by an executor to answer damages out of his own estate;
- ii. Promise to answer for the debt, default, or miscarriage of another person;
- iii. An agreement in consideration of marriage;
- iv. Contracts concerning lands, tenements, and hereditaments, or any interest therein;
- v. An agreement not to be performed within the space of a year from the making of it.

To these cases must now be added the requirements of written evidence by the Sale of Goods Act (*which see*).

STATUTE BARRED. See "*Limitations, Statute of*."

STATUTE OF LIMITATIONS. See "*Limitations, Statute of*."

STATUTORY MEETING. This already familiar term dates

from the Companies (Consolidation) Act of 1908, which provided that all limited liability companies must call a General Meeting not less than one month nor more than three months after the date on which the company is entitled to commence business.

It is frequently pointed out by chairmen on these occasions that the "*Statutory Meeting*"—as this first General Meeting is called—is held too soon after the formation of the company for any definite report to be made as to the progress of the company's business; but the purpose of the law is to enable members (*i.e.*, shareholders) to have an opportunity of reviewing the circumstances of the flotation of the company and the *results of share issues*.

To this statutory meeting a return must be submitted by the directors, stating the number of shares allotted and the amount of *cash* received therefor; also a cash statement and list of directors, and names of auditors, secretary (if any), and manager. These particulars must be supplied to shareholders *seven days before* the statutory meeting, together with particulars of any modification it is proposed to make in contracts connected with the flotation. At the meeting itself, a list of members and their shareholdings must lie open for inspection.

STERLING. (*Fr.* and *Ger.* ditto.) The earliest documents speak of a *sterling* as another name for the English silver *penny*, which for many years was the unit of monetary value in this country. In a Charter of Henry III. we read:

"In centum marcis bonorum novorum et legalium sterlingorum tredecim solid, et 4 *sterling*: pro qualibet marca computetis." (In one hundred marks; for every mark you shall reckon thirteen shillings and 4 *pence* of good new and lawful *sterlings*.)

The shilling at this time was not a coin, but a number of coins equal to twelve silver pennies.

In a Statute of Edward I.:

"Denarius Anglice qui vocatur *Sterlingus*." (A penny which we in English call a *Sterling*.) Here sterling is evidently used as an alternative name for the *denarius* or penny.

In a Statute of David II., King of Scotland, the word was used as synonymous with money in general:

"Moneta nostra, videlicet *sterlingi* non deferatur extra regnum." (Our money, namely, *sterlings*, shall not be carried out of the kingdom.)

Again, in one of the old Chronicles we read:

"In this yere (1351) William Edginton made the kyng to make a new coyne—destroying alle the elde *sterlynges* which were of greater weight."

In all these quotations it is evident from the context that the word *sterling* was used as the name of a coin, and not in reference to the quality or purity of the coinage. As to the origin of the name, many

conjectures have been offered. Walter de Pinchbeck, a monk of Bury in the time of Edward I., says :

“Sed moneta Angliæ fertur dicta fuisse a nominibus opificum, ut Floreni a nominibus Florentiorum, ita Sterlingi a nominibus Esterlingorum nomina sua contraxerant, qui hujus modi monetam in Angliæ primitus componebant.” (But the coinage of England is said to have derived its name from the name of the craftsmen, as Florens—florins—from the Florentines, so Sterlings from the Easterlings, who were the first to fabricate this kind of money in England.)

This, however, reads like one of those “shots” of which the old monkish chroniclers were so fond. It is, nevertheless, almost the only ground for the prevalent opinion as to the origin of the name.

By “sterling” is now meant English money, as distinct from that of other nations. The word has developed a metaphorical meaning as indicative of purity, or superiority of any kind, as “sterling silver,” “sterling character,” etc.

STERLING BONDS. (*Fr.* Obligations en sterling ; *Ger.* Sterling-Obligationen.) To give added *kudos* to an issue, or to attract British capital, issues of bonds by foreign governments or corporations are sometimes made in denominations of English money, and are then called “Sterling Bonds.”

STOCK. (*Fr.* Valeur ; *Ger.* Boersen-Effekten.) This homely English word found its way into the higher regions of finance through a practice which prevailed in the Court of Exchequer for many centuries. It was the custom when money was borrowed for State purposes to record the transaction by means of notches on a *stock*, or stick (commonly hazel), and then to split the stick through the notches. The lender took one half as a proof of his claim against the Exchequer, and it was called his *Stock*. The Exchequer kept the other half, which was called the *Counter-Stock*, and which served the same purpose as a modern counterfoil. Hence it appears that the term *stock* was originally applied to the material sign and proof of money lent. But as the thing signified was of greater importance to both parties than the sign, it was at length transferred to the money itself, or rather to the right to claim it. In this way *Stock* came to be understood as money lent to the Government, and eventually to any public body whatever, and the different funds subscribed from time to time came to be called “*the Stocks*.”

In modern finance the term has come to mean almost all kinds of Stock Exchange securities in general, including shares and bonds, but technically its meaning is quite different. Thus, the Companies Acts maintain the strict, technical meaning of the word *stock*, in providing that, subject to the provisions of its Articles, a company may convert all or any of its paid-up *shares* into *stock*, or *stock* into paid-up shares. Shares are for fixed denominations, whereas *stock* can be dealt and

transferred in any fractional amounts not specifically forbidden by the company's Articles. However, the term *stock*, in its technical sense, is not confined to a company's *capital*, but also to a company's *loan* by way of debenture issues. Thus, to quote *Gore-Browne*: "Debenture stock is of the same nature as ordinary debentures, except that, instead of each bond securing a definite amount, the whole sum secured is treated as a single stock, and certificates are issued declaring the holder to be entitled to a definite sum, part of the stock. This sum is not necessarily a round sum, but may be for any number of pounds, and may include fractions of a pound unless express limitation is made in that respect."

STOCK EXCHANGE. (*Fr.* Bourse; *Ger.* Boerse.) A stock exchange is a market for dealing in the bonds, stocks, and shares of governments, municipalities, corporations, and companies generally. Every important financial centre has its stock exchange, and all the big exchanges of the world (*e.g.*, London, New York, Paris, Berlin, Amsterdam, Brussels, etc.) are in constant telegraphic communication. See "*Arbitrage*."

The *London Stock Exchange* is one of the best-known markets in the world, and space must be found for a brief account of its constitution and operations. In the first place, be it noted that the London Stock Exchange is *theoretically* only an ordinary trading concern, a sort of proprietary club, with no Royal Charter and no special privileges. *Practically*, however, it is an extremely powerful body, through some member of which the vast majority of stock and share transactions must pass; and the prestige of the London Stock Exchange is such that no serious effort has been made to challenge its monopoly (except in the unimportant instance of tea and rubber shares mentioned below), although on occasion—and notably at the time of the promulgation of the minimum commission scale of 1912—many big financial interests in the City would have welcomed the establishment of a competitive institution.

The membership of the London Stock Exchange exceeds 5,000, who are governed by an annually-elected Committee of thirty. Strict rules are laid down for the transaction of all business, and as between members these rules are so binding that no member can take a grievance against another member before the ordinary Courts of the land without the prior consent of the Committee. Disputes between members must be referred to the arbitration of a member or members of the Stock Exchange. Candidates for admission to membership must be recommended by three members of not less than four years' standing, and each of the three must become surety to the extent of £500 for a period of four years. No person is eligible for membership who is engaged as principal or employee in any other business, or whose *wife* is engaged in business.

Here it may be appropriate to make a passing reference to the so-called *outside brokers*—non-members who engage in stock and share business, and whom the *insiders* affect to regard with great disfavour. Such disfavour seems, however, a little insincere, in view of the fact that practically all the orders obtained by an outside broker are passed on to insiders; in point of fact, some of the outside brokers are more wealthy than—and fully as respectable as—the Stock Exchange members who are glad to receive their business. Let the reader forthwith rid himself of any hazy notion that the term *outside broker* is synonymous with *bucket-shop*, a name given to fraudulent concerns which place doubtful securities with gullible investors, or encourage people who have no knowledge of the intrinsic merits of securities to engage in speculative ventures glorified by such titles as “*pool*,” “*syndicate*,” etc.

Now to revert to the Stock Exchange proper—and truly may it be described as *proper*, in view of the strict code of business morality it imposes on its members, a code far more stern than the ordinary law of the land. The glib charge of half-baked philosophers that the Stock Exchange is a sink of iniquity is fatuous. Indeed, it would be safe to assert that there are more cases of solicitors misappropriating trust funds, and of doctors committing breaches of the rules of their profession, than instances of dishonesty or malpractices on the part of stockbrokers as against their clients.

The members of the Stock Exchange are divided into *Brokers* and *Jobbers*, and it is very strictly laid down that (i.) no member may carry on business in the double capacity of broker and jobber; (ii.) partnerships between brokers and jobbers are prohibited; (iii.) no member shall *alter his status* from broker to jobber or *vice versa* without first giving one month's notice to the Committee. The relation between broker and jobber is analogous to that between solicitor and barrister; the broker is the person who takes orders from the public, and the jobber (or *dealer*, as he is often called) is the person who actually *takes* or *gives* the stock, as the case may be. The jobber, in fact, stops in “*the House*” and *makes prices* when asked to do so by a broker or a broker's *authorised clerk* (apart from actual members, only duly authorised clerks are admitted to the sacred precincts of “*the house*”). The price *made* by a jobber is a double price, *bid* and *offered*, as the broker, when asking for a price, is not expected to disclose whether he is a buyer or a seller. For example, a broker says to a jobber, “What do you *make* Can-Pacs?” or simply, “What are Can-Pacs?” The jobber answers, say, “180-180 $\frac{1}{4}$.” If the broker then says, “I take 200,” the jobber must *sell* the broker 200 Canadian Pacific shares at the *higher* price, i.e., at 180 $\frac{1}{4}$. If the broker says, “I give you 200,” the jobber must *buy* from the broker 200 shares at the *lower* price, i.e., at 180. Of course, the jobber is only bound to supply or take a *reasonable* amount of stock at his price; the broker could not

without warning say, "All right, I take 200,000!" and what is a reasonable amount varies with the particular security dealt.

It is the jobber's business to *make his book even*; that is to say, to see that his sales counterbalance his purchases in any given share, or *vice versa*, and his profit consists in the *difference* between the bid and offered prices he quotes, which difference is known as his *turn*. In the instance quoted, the turn is only $\$ \frac{1}{4}$, but only an active stock would be quoted with such a small turn, as is only reasonable when it is remembered that the jobber runs a risk while he has stock *open* on his books, and he must hedge against such risk with a *wide turn* if he may have to wait some time before being able to *cover*.

The price at which business is concluded must, if the broker or his client require it, be officially recorded, or *marked*, as it is called, and will then appear in the "*business done*" column of the *Stock Exchange Daily Official List*. This procedure is intended to safeguard the public against possible dishonesty on the part of a broker, who might otherwise deal at one price and charge another price to his client; but, as a matter of fact, only a very small proportion of bargains are *marked*.

Having dealt, the broker renders his client a *contract*, charging commission according to Scale. See *Appendix*.

In the absence of any special arrangement, all bargains were (until August 1914) done *for the account*; that is to say, for the next bi-monthly settlement, or, in the case of Consols, for the *Consols Account*, or of new stock, for *Special Settlement*. For details, see "*Settlement*."

The members of the Stock Exchange are personally liable to each other for business transacted, and a broker cannot excuse himself for non-payment for stocks bought, or non-delivery of stocks sold, on the ground that his client has defaulted. A broker must meet his engagements promptly—whatever his client may or may not do—and if a member of the Stock Exchange defaults, he is immediately *hammered*.

Other matters of Stock Exchange practice are dealt with under the headings of "*Bear*," "*Bull*," "*Option*," "*Listing*," etc.

The *Rubber Boom* has left London with a second Stock Exchange recognised as such under Section 77 (3) of the *Finance Act*, 1910. This is "The Mincing Lane Tea and Rubber Share Brokers' Association, Ltd.," and its avowed object is "to provide a place of meeting for share brokers in Mincing Lane who are members of the Association where they can transact business in tea, rubber and tea-cum-rubber shares with each other on behalf of clients. No jobbers are at present in this market, and therefore buyers and sellers receive contracts at the actual price of the deal."

STOPPAGE IN TRANSITU. (*Fr.* Saisie; *Ger.* Beschlagnahme von Waren bereits unterwegs zum Kaeufer.) Under "*Seller's Lien*" are discussed the remedies of a seller who has not parted with his goods; even, however, after the goods have been despatched to the buyer

the seller can, under certain circumstances, recall them, or, rather, prevent their delivery to the buyer. The Sale of Goods Act provides that when the buyer becomes insolvent, the unpaid seller who has parted with the possession of the goods has the right of stopping them in course of transit (*in transitu*); that is to say, he may resume possession of the goods as long as they are in course of transit, and may retain them until payment or tender of the purchase-money.

STOP-LOSS ORDER. (*Fr.* Limite-stop; *Ger.* Stop-Limit.) A stop-loss order is a special form of open order or limit. If a person goes *bull* (*which see*) of shares, he may guard against too big a loss by giving his broker standing instructions to *sell* if and when the price of the shares drops to a certain named figure. For instance, a person may have bought shares at £3; the present price may be, say, £3 10s., but the buyer wants to *hold on* for a further rise; meanwhile, however, to safeguard himself against any unexpected *dip*, he may give his broker a stop-loss order at, say, £2 15s., which means that if there is a decline the broker is to sell out immediately the shares are quoted in the market as low as £2 15s. The reason for the name "Stop-Loss" is apparent.

STOPPED, PAYMENT STOPPED. (*Fr.* Paiement opposé; *Ger.* Zahlung aufgehalten.) It often happens that bank-notes, cheques, bonds, and other instruments are lost or stolen, and with a view to recover them it is customary to go to the bank or other office through which they must or are likely to be passed and request that a "stop" may be put upon such notes, cheques, etc. It must not, however, be inferred that a bank has the power to refuse payment of a note or cheque to bearer when presented. All the bank can do, lawfully, is to tell the person presenting it that it has been lost or stolen. If the person thus presenting it has come by it honestly and in the ordinary way of business, it is to his interest that the matter should be inquired into, and he is hardly likely to refuse time for such inquiry. If he should refuse, that act alone would be *prima facie* evidence that he had some reason best known to himself for stifling inquiry. For the honour of the bank, or of the drawer of the cheque, he might under these circumstances receive payment of the note or cheque, but it is most probable that by that time the police would have been summoned to the scene and call on the presenter for explanations.

Hence, whenever the honest holder of any commercial instrument finds that a "stop" is put upon it, his wisest course is to acquiesce in the arrangement and afford every facility in his power for the clearing up of the matter, and not to stand too pertinaciously for his abstract rights. At the same time, it will be admitted that those rights are in some cases of a most substantial kind. For example, a bank-note, a cheque to bearer, a bill endorsed in blank, and many bonds and shares all go by simple delivery, and possession proves property in them in all cases. Nor would this right be invalidated by acquiescing

in the "stop," and so giving time for inquiry. It does not, however, follow that any of these instruments need be detained because a "stop" has been put on them. All that is meant technically by a "stop" is the taking note of some name, number or description of an instrument, so that when it comes into the possession of the proper officer or clerk, attention shall be drawn to it, and steps taken to trace the finder, thief, or other offending party.

Of course, what is said above relative to the holder of a bearer cheque being able to *insist* on payment only applies to cheques "stopped" by some party other than the drawer. Naturally the drawer of a cheque can "stop" it whenever he chooses, and if by inadvertence a cheque is paid after it has been "stopped" by the drawer, the bank must bear the loss. "A strong argument against paying cheques out of hours is that if, by so doing, the drawer is deprived of the opportunity of stopping payment of a cheque, and thereby he incurs loss, the banker may be held liable to recoup him." —*Moxon*.

STRADDLE. See "*Option*."

STYLE. (*Fr.* Raison Sociale. *Ger.* Titel.) The precise title under which a firm trades. Such "style" must always be rigidly observed. Thus, if a man trades as H. M. Bear it would be quite incorrect to address a business communication to him as Henry Martin Bear, although that might be known to be his full name.

SUPPLY AND DEMAND. See "*Demand and Supply*."

SUPRA PROTEST. See "*Dishonour*."

SUSPENSE ACCOUNT. (*Fr.* Compte en suspens ; *Ger.* Suspens-Konto.) An account, or accounts, kept by a firm for convenience of entering sundry items which at the moment cannot be posted to regular account, whether for reasons of privacy, incompleteness of detail, postal irregularities, etc. Of course, such entries are later transferred to one of the ordinary accounts.

SUSPENSION OF PAYMENT. See "*Default*" and "*Bankruptcy*."

SWEATING. (*Fr.* Frai criminel ; *Ger.* Zerteilung.) A fraudulent process practised on coins by which their weight is reduced. It is effected either by *attrition* or *solution*.

T

TABLE "A." A model set of *Articles of Association* (which see), given as an appendix to the Companies Acts. The adoption of "Table 'A'" is quite optional, and large limited companies always employ lawyers to draft for them special Articles of Association ; small companies however can save themselves both legal and printing expenses by adopting "Table 'A,'" either "*in toto*" or with specific modifications.

TAKE-IN. (*Fr.* Reporter; *Ger.* Hereinnehmen.) When a sale of shares is continued (see "*Contango*") from one *Settlement* to the next, the shares are said to be *taken-in*. See also "*Backwardation*," "*Bear*," etc.

TAKE-UP A BILL. Equivalent to "*Retire*" (*which see*).

TALON. (*Fr.* and *Ger.* ditto.) A *talon*, as most commonly known in commerce, is the last portion of a sheet of coupons. It generally resembles a coupon, but differs somewhat in size, and contains on its face an intimation that if it is presented at the office indicated a new sheet of coupons will be given in exchange for it. In the case of French *Rente* certificates or bonds, the coupons and the letterpress constituting the certificate are all printed on a single sheet; when the coupons have all been used, the *whole* of the remainder is called the *talon*, and must be presented entire at the office named by the Government, when an entirely new certificate, with its complement of coupons, will be given in exchange.

TAPE PRICES. *Tape prices* must be carefully distinguished from official prices (see "*Stock Exchange*"). The former are transmitted by the Exchange Telegraph Company to offices, clubs, and newspaper offices by means of the *tape machine*; they are actually collected in the Stock Exchange, and are, of course, correct as far as possible, but they are not official in the full sense of the term.

TARE. (*Fr.* Tare; *Ger.* Tara.) Explained under "*Gross*." Sometimes the following distinctions are drawn, viz.:

- (a) *Average Tare*, which is found by taking some few out of a number of packages, and from these calculating the average of the entire lot;
- (b) *Customary Tare*, which is a fixed, stated allowance, according to the custom of the particular trade;
- (c) *Real Tare*, or *Actual Tare*, found by actual weighing of each package.

TARIFF. (*Fr.* Tarif; *Ger.* Tarif.) The word *tariff* is said to be derived from the rock Tarifa (Gibraltar = Jibel-el-Tarifa, the mountain or fort of *Tarif*, an early Moorish conqueror), where the Spanish in the days of their power exacted certain dues from all vessels passing through the Straits. These dues were embodied in a schedule, called the Tarif dues, and from this circumstance lists and schedules of dues of all kinds came in course of time to be called "*tariffs*." Without qualification, the word is now usually held to refer to "*Customs tariffs*." See "*Customs*."

TEL QUEL. (*Fr.* and *Ger.* ditto.) The literal meaning of this phrase is "*such as it is*." When inserted in contracts for the sale of international securities, or "*future*" goods, it means that the transaction is to hold good notwithstanding any loss which may accrue

to either party through oversight, lack of knowledge, or damage sustained in transit. The effect is therefore much the same as that of the phrase *without recourse*. See "*Recourse*."

TELEGRAPHIC TRANSFERS. (*Fr.* Transferts télégraphiques; *Ger.* telegrafische Auszahlungen.) Messages sent by telegram ordering the transfer of specified sums from one person to another, one firm to another, a bank to a firm, or a firm to a bank. Of course, such telegraphic transfers are more rapid even than sight drafts or cheques for effecting payments, and so special rates of exchange are quoted, *e.g.*, between London and Calcutta or New York, known in the former case as "T.T.'s" (telegraphic transfers) and in the latter case as "C.T.'s" (cable transfers).

TENDER. (*Fr.* Soumission, avis; *Ger.* Angebot, Anweisung.) This word has three distinct meanings in commerce:

(a) A formal undertaking to execute certain specified work at a price named, so familiar to builders and contractors. Technically, these are not spontaneous *offers*, but are replies to elaborate "invitations to tender" prepared by the parties who want the work done. Or a *tender* in the sense of an application for a portion of a loan (*e.g.*, India Council Bills), or a *tender* of bonds for redemption at a price stated by the holder. In the first instance the highest, and in the second instance the lowest, tenders will, of course, be accepted. See also "*Treasury Bills*."

(b) Tender has a technical meaning in law, as applicable to the offer to deliver goods or make payments due. See "*Performance*."

(c) In the produce markets the name *tender* is given to the advice sent by a seller to a buyer that certain specific goods have been assigned in completion of a contract for goods "*to arrive*," or *unascertained* goods, in the phraseology of the Sale of Goods Act. In such cases the only means of identification is usually the marks and numbers on the packages. The following specimen tender will show exactly what is involved:

No. 650.

Mincing Lane, E.C.

2nd January, 19—

MESSRS. CARTWRIGHT, FISHER & Co.

DEAR SIRS,

Against your contract dated 26th August last, for about one ton wax, December shipment, we beg to appropriate in fulfilment of the same the undermentioned, which please note.

Yours faithfully,

JONES & JOHNSON.

H.C. 1/17 17 double bags,

weighing 1,079½ lbs.,

per *Roman* @ Leghorn, shipped 24th ult.

TERMS. See "*Price*," "*Conditions*," etc.

TICKET DAY. See "*Settlement*."

TIME BARGAINS. A term formerly applied to transactions effected for completion on some future date. See "*Prompt*" and "*Settlement*."

TIME POLICY. (*Fr.* Police à terme ; *Ger.* Zeitpolice.) A policy of insurance drawn up for a stated period, and not for a given voyage. See "*Insurance*."

TO ARRIVE. See "*Price*."

TOKEN MONEY. (*Fr.* Jeton, monnaie ; *Ger.* Scheidemuenze.) Coins, or substitutes for coins, made of inferior metal, or of a quantity of metal of less value than its name would indicate.

Owing to the scarcity of small change, and the great loss occasioned to the poor for want of some coin of less value than the silver penny in use down to the time of the Commonwealth, half-penny and farthing *tokens* were struck in brass, copper, tin, pewter, lead, and even leather, not only by the Government, but by tradespeople, tavernkeepers and others, for circulation in their own neighbourhood. When copper coinage became sufficiently abundant to meet the wants of the population it was made a criminal offence to issue these private tokens, although they continued to circulate in small quantities down to quite recent times. Our modern bronze pennies, half-pennies and farthings are pre-eminently a *token* coinage, as they are worth very considerably less than their nominal value. Our silver coinage also is endowed with currency value far in excess of its metallic value. See "*Seignorage*."

The difference between the currency value and the metallic value of our token money is the reason for restricting the use of such coin as legal tender (*which see*).

The old Mint House, or Token House, stood on the north side of Lothbury, and gave its name to *Tokenhouse Yard*.

On the Continent and in the United States, nickel has largely superseded copper and bronze as a metal for the manufacture of token coins of low denomination.

TONNAGE. (*Fr.* Tonnage ; *Ger.* Tonnengehalt.) The cargo capacity of a vessel expressed in tons. Of course, in actual practice, the *nature* and *bulk* of the cargo is often of more consequence than *dead weight* ; hence the tendency for a *ton* to become virtually a unit of cubic content in shipping circles.

Tonnage Dues. At the time a vessel is built it is certified as of *so many tons register*, and harbour and dock dues are often levied at so much per ton on a vessel's *registered tonnage*.

Tonnage Rates. Shipping companies, railways, carmen and lighter-men usually charge so much per package for small lots of goods, and *tonnage rates*, i.e., rates of so much per ton, for goods in bulk.

TRADE BILL. (*Fr.* Effet de commerce; *Ger.* Handelswechsel.) A commercial, as distinct from a finance, or *accommodation bill* (*which see*).

TRADE MARK. (*Fr.* Marque; *Ger.* Schutzmarke.) The special distinctive sign used by a manufacturer or trader to distinguish his goods from other makes or qualities. Trade Marks can be "registered" as a safeguard against unfair competition.

TRANSFER. (*Fr.* and *Ger.* Transfert.) Although the verb "to transfer" and the corresponding noun "transfer" are both frequently used in common speech in the sense of handing over anything to another, or the carrying of a material product from place to place, it is applied in commercial law to a formal surrender of some right in favour of the party named by the *transferor*. Cheques, Bills of Exchange, Promissory Notes, are all "transfers" in this sense, as are also instructions given by the customer of a bank for the transfer from his account to that of a third party of a stated sum or securities.

But in the stock markets the term *transfer* has a strictly technical meaning, corresponding to the word "conveyance" as applied to real estate. The transfer of securities is effected in the case of bearer certificates (see "*Bearer*") by mere *delivery*, and in the case of registered stocks by formal *transfer deed* (known simply as "*transfer*"), whilst inscribed stocks (*which see*) are transferred by entries in the books of record.

No transfer (deed) will be accepted by the brokers of the buyer unless it is *certified* (see "*Certified Transfer*") or accompanied by the certificate for the shares referred to.

When a transfer (deed) is duly completed by both parties it is *lodged for registration* at the office of the company, or with the "transfer agents." The actual registration of transfers, and the preparation of new certificates in the name of the transferee, frequently takes from four to six weeks, as company officials decline to be *hustled* in this connection, and transfers are stored up in batches for the periodical Board Meetings. The Companies Acts provide that a transferee can demand a new certificate within two months.

Some companies require special forms of transfer, and many of the Joint Stock Banks will only accept transfers made out on forms issued by themselves after *written application*, signed by the prospective transferor. These banks, having a large proportion of the nominal value of their shares unpaid, are very particular as to whom they accept as transferees, and will not hesitate to exercise the right inherent in every company to refuse to register a transfer without assigning a cause, provided that the Articles contain a clause to that

effect. Where shares are fully paid there is little need to scrutinise transfers, but it is not usual in this country to accept transfers giving the name of a *firm* as transferee, although such practice works quite well in America.

As an additional safeguard against fraud, it is customary, although not obligatory, for a company to send a formal notice to the transferor advising him that "unless we hear from you to the contrary per return" the shares will be *taken out of his name* and inscribed in that of the transferee. See also "*Blank Transfer*," "*Certified Transfer*," etc.

A distinction is drawn between the *transfer* and the *transmission* of shares, the latter term being applied when shares pass to an executor or administrator who *represents* the previous holder but is not necessarily entitled to dividends or liable for calls. See also "*Closing of Books*."

TRANSHIPMENT. (*Fr.* Transbordement; *Ger.* Umladung.) This term is used quite generally of the unloading and reloading of goods, whether carried in vessels or on trains or motor lorries. Moreover, when one speaks of the transhipment of goods in the port from one vessel to another, it does not necessarily imply that the goods are taken direct from the import to the export vessel; they may first be landed at a wharf or on a dock quay, and only later despatched to the second steamer; but the word transhipment cannot be used in this technical sense if the goods are once *entered* for warehousing. In the case of dutiable goods, the formalities attendant on transhipment virtually combine the pleasures of importing and exporting in bond. See "*Customs*."

TRANSIRE. (*Fr.* Passavant; *Ger.* Ausfuhrerlaubnis fuer die Kuestenfahrt.) A *Transire* is a document signed by the master before any coasting vessel can depart from the port of lading. *General Transires* are sometimes issued to save delay in taking fresh transires for each voyage of coasting vessels, but as a rule such General Transires are only valid for a period of twelve months.

TREASURY. (*Fr.* Ministère des Finances; *Ger.* Schatzkammer.) The Government Department which has charge of the revenue and expenditure of the Crown. The office of First Lord of the Treasury is always combined with that of Premier by a convention of the constitution. Technically the Chancellor of the Exchequer is Under-Treasurer.

With reference to Exchequer Bills and Bonds (*which see*), an Act of 1866 defines "the Treasury" to mean "the Commissioners of Her Majesty's Treasury for the time being, or any two or more of them," and it is evident from the wording of this Act that the old distinction between the Treasury and the Exchequer has ceased to have any force; for, throughout the Act, all the duties involved in the preparation and issue of Exchequer Bills is thrown upon the Treasury as above defined.

Since 1914 the Treasury has become the authority for issuing *Currency Notes* (*which see*).

TREASURY BILL. (*Fr.* Billet du Trésor; *Ger.* Schatzkammer-schein.) Treasury Bills are instruments of credit whose origin dates back only to 1877, when they were authorised by Act of Parliament. Previous to this it was the custom for the Commissioners of the Treasury to borrow from the Bank of England such sums as were wanted for a short time only, but it was thought advisable on various grounds to offer these loans to public tender, a practice which has continued ever since.

Treasury Bills are drawn for three months, or for six months. *They have no interest*, the holder always receiving them at a *discount*, after the fashion of a moneylender. The actual discount varies with the rate current in the market. The following is a copy of a form of tender for Treasury Bills, which may be obtained at the Bank of England whenever an announcement appears in the *Gazette* inviting such tenders :

No.

London, 4th December, 19—

To the Lords Commissioners
of His Majesty's Treasury.

My LORDS,

In accordance with the terms of the notice in the *London Gazette* of the 27th November, 19—

We hereby beg to tender for the sum of £20,000 Treasury Bills, per Act 40 Vict. cap. 2, at Three Months' date, viz.: *Five* of £1,000, *One* of £5,000, *One* of £10,000, for which, or for any less amount that may be allotted to us, we agree to give the sum of £99 7s. 6d., say ninety-nine pounds seven shillings and sixpence per cent.

We have the honour to be, My Lords,
Your Lordships' most obedient Servants,

N.B.—The price per cent. offered must be written in words at length and in figures.

See also "*National Debt*."

TRET. Explained under "*Gross*."

TRIAL OF THE PYX. A ceremony instituted for the *trial* of the weight and purity of the gold and silver coins of the kingdom. Formerly it was performed at irregular intervals, but is now kept up annually merely as an historic survival. When the coinage was done by contract this ceremony was of great importance, as the contractors were not entitled to full payment till the *trial* had been held.

TRIO ACCOUNT. (*Fr.* Compte Tiers; *Ger.* Konto Trio.) An account between *three* parties who share equally in risks and profits. The underlying principle is the same as that of the joint account (*which see*). Trio Account is sometimes expressed " $3/3 \text{ a/c}$."

TROY WEIGHT. (*Fr.* Poids troy; *Ger.* Karatgewicht, or Troygewicht.) The Tower Pound, or Moneyers' Pound, which was used in the Mints of this realm down to the time of Henry VIII., was lighter than the Troy pound by three-quarters of an ounce Troy. The monarch named restored the Troy pound as the Mint unit. See also "*Pound*," "*Shilling*," etc.

For all ordinary trade purposes the *Avoirdupois* system of weights is in use.

TRUCK. See under "*Rate of Wages*."

TRUST. (*Fr.* Combinaison, monopole; *Ger.* Trust, Cartel, Monopol.) It is usually assumed that "*Trusts*" are peculiar to the United States, where they have certainly attained colossal dimensions; but trusts are, in principle, only trade combinations with a view to monopoly, or at least sufficient controlling power to fix prices, and as such they exist more or less openly in every commercially developed community.

TRUST DEED. (*Fr.* Acte de fidéicommis; *Ger.* Pfandurkunde.) The formal deed appointing trustees; used mainly in relation to the appointment of trustees for debenture-holders.

TRUSTEE. (*Fr.* Curateur, gardien, fidéicommissaire; *Ger.* Pfandhalter.) The person appointed to administer property or safeguard the interests of a minor or other person or body of persons. Thus when an issue is made of debentures, it would be inconvenient to leave the supervision of the interests of the whole body of debenture-holders to individual holders, and so *trustees* are appointed by deed for that purpose.

The experiment of appointing an *Official Trustee*, a Government official, who can be called upon to undertake all kinds of duties connected with trusteeship, is referred to under "*Public Trustee*."

Trustees in bankruptcy do not differ in principle from trustees in general, unless they have to work with a Committee of Inspection representing the creditors. See "*Bankruptcy*."

TRUSTEE STOCK. (*Fr.* Titres d'Administration; *Ger.* Treuhaender-Securitaeten.) Securities which may be purchased by a Trustee for account of the estate administered.

Under Section 1 of the Trustee Act, 1893, Trustees may, unless expressly forbidden by the Trust Instruments, invest in the following:

- (a) Government Securities, Public Funds, or Parliamentary Stocks of the United Kingdom, (e) Securities the interest of which is guaranteed by Parliament, and (d) Indian Government Securities.

- (c) Bank of England and Bank of Ireland Stocks.
 - (f) Metropolitan Board of Works Stock, London County Council Stock, and Metropolitan Police District Debenture Stock.
 - (g) Debenture, Rent Charge, Guaranteed or Preference Stocks of any Railway in the United Kingdom, if the Dividend for the last ten years has been not less than 3% per annum on the Ordinary Stock.
 - (h) Stock of any Railway or Canal Company, leased for not less than 200 years at a fixed rent to any Railway Company under (g).
 - (i) Debenture Stock of any Indian Railway, the interest on which is paid or guaranteed, or (k) other Stock on which a fixed or minimum dividend in sterling is guaranteed, by the Indian Government, or upon the capital of which the interest is so guaranteed.
 - (j) "B" Annuities of the Eastern Bengal, East Indian, and Scinde, Punjaub and Delhi Railways, and any like Annuities, charged on the Revenue of India, also in "D" Deferred Annuities and "C" Annuities of the East Indian Railway.
 - (l) Debenture, Guaranteed, or Preference Stock of any incorporated Water Company in Great Britain which has for the last ten years paid a dividend of not less than 5% on its Ordinary Stock.
 - (m) Municipal Stocks of towns of over 50,000 inhabitants, or County Council Stocks issued under Act of Parliament or Provisional Order.
 - (n) Water Trust Stocks of towns or compulsory districts of over 50,000 inhabitants where assessment for each of the last ten years has not exceeded 80% of the amount authorised.
 - (o) Stocks authorised for investment of Funds under the control of High Courts of Justice,
- and may also from time to time vary any such investment.

Section 2 sub-section (1) permits the purchase at a premium of redeemable stocks, but sub-section (2) prohibits those stocks otherwise available under sub-sections (g), (i), (k), (l) and (m) of section 1 which are liable to redemption at par or other fixed rate within 15 years of the date of purchase, or which stand at a premium exceeding 15% above the redemption value.

Section 2 of the Colonial Stock Act, 1900, empowers a Trustee to invest in any Colonial Stock registered in the United Kingdom in accordance with the provisions of the Colonial Stock Acts, 1877 and 1892, as amended by this Act, provided such stocks have been notified in the London and Edinburgh Gazettes as having been approved by the Treasury, subject to the restrictions contained in section 2 sub-section (2) of the Trustee Act, 1893.

The Treasury will, from time to time, publish further lists of those Securities which have complied with the Acts.

TURN. (Used in *Fr.* and *Ger.*) See "*Stock Exchange.*"

TURNOVER. (*Fr.* Montant d'affaires; *Ger.* Umsatz.) A term somewhat loosely used to indicate the total amount of business transacted during a stated period. Strictly it refers to the capital of the concern itself being *turned over*, or laid out and recovered, again laid out and recovered, and so on. Cf. "Small profits and quick returns."

U

ULLAGE. (*Fr.* Manquant. *Ger.* Manko.) Loss in weight due to leaky casks.

ULTRA VIRES. (*Fr.* and *Ger.* ditto.) Literally, "beyond the power." A legal expression denoting acts in excess of authority.

UNCALLED CAPITAL. (*Fr.* Capitaux non appelés; *Ger.* Unaufgefordertes Kapital.) See "*Capital.*"

UNDER PROTEST. (*Fr.* Avec réserve; *Ger.* unter Verwahrung.) A payment is said to be made "under protest" when the person paying does so only under some form of compulsion, and reserves his right to open the subject again later and claim refund, in a court of law or otherwise.

UNDERWRITER. This word has two meanings:

- (a) A person undertaking marine insurances is called an *underwriter*. See "*Insurance.*"
- (b) A person who *underwrites* an issue. See below.

UNDERWRITING. (*Fr.* Assurance de capital; *Ger.* Vorzeichnen.) An issue, whether of shares or debentures, is *underwritten* when the issuing house or promoters are not certain that the applications of the general public will be large enough to ensure the success of the issue. Such an issue is parcelled out amongst financial houses and firms, each of whom agrees to take a stated amount of the issue if no public subscriptions follow the issue of the prospectus, and to take a *pro rata* amount in so far as the amount subscribed for by the public falls short of the total to be issued. In this connection such financial houses and firms are called *underwriters*, and receive, needless to say, a commission for the risk they undertake.

The Companies Acts permit the payment of such commission to "any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares of the company, or procuring or agreeing to procure subscriptions, whether absolute or conditional, for any shares in the company," but enact that such commission must be disclosed in the prospectus issued to the general public in connection with the issue. With reference to the strict rule of company law that shares must not be issued at a discount,

Gore-Browne says: "It will be noted that to pay a commission to a person for *taking* shares is nearly akin to issuing shares at a discount; but they are not the same things, for if the company went into liquidation before the commission was paid, the whole amount of the shares could be called up, but the shareholder would be an unsecured creditor for the commission, and might not get paid in full."

The agreement to underwrite is called an *Underwriting Letter* (see specimen, *Appendix*), one such *letter* being signed by each underwriter in respect of the number of shares or amount of debentures he agrees to underwrite. Sometimes the issuing house, or their intermediaries, require from the underwriter—in addition to the actual underwriting letter—a form of application filled up and signed in respect of the amount of shares or debentures underwritten. The success of an issue and the success of the underwriting of that issue are, obviously, practically synonymous terms, but the most experienced financial experts can never be very certain about the reception a new issue will meet with, as the public inquiry for a new issue depends as much on quite temporary money market conditions as upon the intrinsic merits of the security. Sometimes underwriters get their commission practically as a free gift; at other times they may get *landed*—as it is called—with 80% or 90% of the amount they underwrote. Observers will notice that when several genuine issues have *gone badly*, and the underwriters have been heavily hit, the issuing houses will moderate their activities for the time being.

An issuing house, or group of promoters, when getting an issue underwritten, usually act through several intermediaries, who in turn *place* or *cede* the underwriting in convenient amounts amongst other firms or individuals. Occasionally such intermediaries get an *extra* commission if they undertake to *place* a certain amount of underwriting, and this extra commission is known as "*over-riding commission*." It will be seen that, in effect, *over-riding* is equivalent to *underwriting the underwriting*.

In conclusion, be it noted that even after he has agreed to pay underwriting, and possibly also over-riding commission, a promoter nevertheless prefers to see the issue subscribed for by the general public, partly because he then has the *kudos* of a public success, and partly because the presumption is that shares taken by the public will not *come back to the market* so readily as shares which fall to an underwriter.

UNFUNDED DEBT. (*Fr.* Dette flottante; *Ger.* schwebende Schuld.) See under "*Funding*."

UPTOWN WAREHOUSE. (*Fr.* Entrepôt en ville; *Ger.* Stadtlager.) As a rule, one thinks of the storing of sea-borne goods and the oversight of the Customs as taking place in wharves or dock warehouses in close proximity to the water, but occasionally one finds large dock warehouses some distance from the actual port. These warehouses

are technically known as *uptown warehouses*, of which the huge blocks at Crutched Friars and Cutler Street are good examples; the latter premises were once the property of the Honourable East India Company.

USANCE. (*Fr.* Usance; *Ger.* Usance, Wechselfrist.) In general the term *usance* is applied to any market *usage* or *custom*, but it has a more restricted meaning in the case of Bills of Exchange, where it means the time allowed by ordinary trade usage for the maturity of a bill; in other words, the length of credit as expressed in the wording of the bill. For trade with France, Belgium and Holland, the usual period for which bills are drawn is 30 days; in the case of Indian bills it is from four to six months. Long usance is felt to be open to serious objections, and in view of the fact that intercourse between distant countries is much more rapid than formerly, traders are endeavouring gradually to reduce *usance* within narrower limits.

USUFRUCT. (*Fr.* Usufruit; *Ger.* Nutzniessung.) A law term meaning what is also technically known as "right of user"; the right to use a certain thing although having no "right of property" in it, and therefore, of course, no right of sale or disposal.

USURY. (*Fr.* Usure; *Ger.* Wucher, Wucherzinsen.) *Usury* originally signified nothing more than is now understood by the word *interest*. But in ancient times the rates charged for loans were so exorbitant (although in fairness one must consider the greater risks run by lenders) and oppressive that the very name of usury has something odious and repulsive about it. In this country the term is now used only as one of reproach. A "usurer" is always understood to be one who takes advantage of the needy to extort excessive interest, which is, indeed, often called a "usurious rate of interest." Severe laws were enacted against usurers, and it was not till 1833 that it became lawful to make more than 5% on bills of exchange. The Usury Laws were finally abolished in 1854, but they have their modern counterpart in the subsequent legislation against moneylenders.

UTILITY. (*Fr.* Utilité; *Ger.* Nuetzlichkeit.) *Utility* is a term much used in Economics to denote what used by earlier writers to be called "value in use," as distinct from "value in exchange" (see "*Value*"). In effect, the utility of a certain article means its usefulness to, or power to satisfy, the wants of a particular individual who happens to possess it. Utility is therefore a term of very limited application, since it requires little demonstration that the utility of an article to A may be very different from the utility of the same article to B. Furthermore, the utility of the first helping at dinner is much more than the utility of the second helping, even though the latter be of equal dimensions, and a third helping would most probably be a distinct *disutility*. Hence the emergence of the illuminating doctrine of *marginal utility*, which shows that the desire of any one individual

for a particular commodity soon becomes satisfied, and that the last unit of the commodity which he buys at a given price represents the marginal utility of the commodity to that individual at that price. Of course, the desire of the individual in question may be limited only by his means, or in other words by the marginal utilities of other things he has need of, but the demand for a certain article does not necessarily grow with a growth in the ability to purchase it. Thus a 6d. ride on a motor-bus every other Sunday may represent the marginal utility of motor-buses—if one may use such an expression—to a typical man in poor circumstances; but if this individual suddenly finds his income raised to £1,000 a year, his desire for motor-bus rides, far from increasing in proportion, will probably vanish altogether in contemplations of a 60 H.P. car of his own. Or, again, to the sweet-loving infant a shilling may call up visions of twelve whole pennyworths of chocolate cream placed end on end, but the adult with a spare shilling in his pocket has developed other marginal utilities which take precedence of the old love.

The conception of each outlay made by a wage-earner as representing, to that individual (and his family) at that particular time the marginal utilities of house accommodation, clothes, boots, bread, tea, meat, picture-theatres, and so on, opens up a fascinating field of research, and is a matter of the highest importance in its bearings on the "laws" of demand (see "*Demand and Supply*"), the relation between "*Consumption*" and "*Production*," and the extent to which the lot of the worker may be ameliorated merely by the effect of education on the adjustment of *marginal utilities*, apart from any actual increase in earnings.

UTTER. (*Fr.* Mettre en circulation; *Ger.* Aeussern, ausgeben.) This term, derived from the Saxon "ut," out, means to send out in the sense of to put into circulation. To *utter* coin is usually understood to mean the passing off of *false* coin, whereas lawful coin is said to be *issued*.

V

VALUE. (*Fr.* Valeur; *Ger.* Wert.) The distinction drawn by the earlier economists between value-in-use and value-in-exchange is still substantially valid. That is to say, when one refers to the value of an article or commodity one may have in mind its actual usefulness and effectiveness for certain purposes, or one may have in mind rather its property of exchangeability for other articles or commodities. The first of these aspects is now usually referred to as "*utility*," and will be found discussed under that head; the second aspect of *value* is touched upon under such heads as "*Demand*," "*Exchange Markets*."

The foregoing distinction having once been grasped, and the danger

of ambiguity emphasised, it may be remarked that in normal circumstances there is an important relation between utility and exchange value, and that it is possible to define *value* in quite general terms as a quality vested in things in consequence of their being esteemed and desired.

By "things" in the above definition is to be understood (a) material things, such as gold, silver, timber, houses, land, pictures, air, water, paper, documents, etc.; (b) immaterial things, as friendship, opinion, beauty, skill, character, ease, security, duty, honour, etc.

It must also be observed that the quality of *value* is "vested" in things; by which term attention is directed to the fact that value is not a quality *inherent in the things themselves*, but is imparted to them by some force from the outside. The force thus indicated is that of human esteem and desire. Some things, such as gold, land and house property, have been esteemed and desired so long and so universally that they are commonly thought of as possessing some inherent or intrinsic value. There are others so little esteemed or desired that they are regarded as possessing but little or no value, such, for instance, as chalk. But if, in the progress of invention, some very extensive use should be found for carbonic acid and lime, our chalk hills might become mines of wealth to the possessors, owing to the value set upon the chalk as a source of these products arising from the desire of everybody to possess them.

VALUE DATE. (*Fr.* Valeur; *Ger.* Valuta.) As every person with an elementary knowledge of book-keeping knows, items entered in an account must be entered under a specific date, and this is known as the *value date*. Where large sums are involved, the value date of a debit or credit entry is a matter of considerable importance, as affecting the interest due or payable, and whenever clients are advised that they have been debited or credited with any large sum the *value date* should always be clearly shown on the advice, as misunderstandings and possible future disputes will thereby be obviated.

VIA. (*Fr.* and *Ger.* ditto.) Foreign Bills are often drawn in "sets" (see "*Bill of Exchange*"); in such case, each bill of the set is called a *Via*, and is of equal validity with either of the others, until one is accepted, when all three are fastened together and become one bill. Of course, the drawee takes care, after accepting one *via*, not to accept another, but simply waits till the others come into his hands, as they are sure to do before they become payable or arrive at maturity. These *vias* differ from mere copies, which are often made when only one bill has been drawn. A *copy*, it is true, may be negotiated in place of the original, but it derives its value from the original, whereas either *via* is on a par with the others, and when accepted renders the others worthless.

VOUCHER. (*Fr.* Preuve; *Ger.* Zeugnis, Urkunde.) This word

was formerly used in law to denote the *calling* upon a defendant to answer to a claim or charge about to be made against him. In this sense it continued to be used for some centuries till it got mixed up in popular speech, when its original meaning was entirely lost sight of, and it came to signify almost the opposite of what it first expressed. That is to say, a *voucher* in its modern acceptation is a document, invoice, or other paper which *answers* to a call, or *bears witness*, or *affords proof* respecting some matter under examination. The transition from one meaning to the other was not violent. The *voucher* was a "calling" upon a defendant, or it might be a calling upon witnesses in favour of a defendant; or, again, it might be a calling for documents, title-deeds, accounts, warrants, contracts, or receipts, by way of proof. In commerce, it was papers of this latter kind that were "called" for, and as more importance was attached to the papers than to the person who called for them, the name of voucher was in course of time completely transferred to the documents themselves.

Another way of accounting for the application of the name *voucher* to the thing called for is that it is a corruption of the correlative term *vouchee*. If this derivation could be substantiated by examples it would be a very natural one; for all the defendants, witnesses, documents, etc., were denominated with strict accuracy *vouchees* (things called), and the corruption of *vouchee* into *voucher* is not more gross than is found in scores of instances furnished by the hasty and uncritical language prevailing among men of business.

W

WAGER POLICY. (*Fr.* Police gageuse; *Ger.* Wettpolice.) A wager policy is a policy of insurance taken out by a person having no *insurable interest* (see "*Insurance*"). However, not every policy for which there is in reality no insurable interest can be described as a "wager policy," which latter term relates only to what are, in effect, betting transactions. Thus, if an insurer honestly believes he has an insurable interest, although in law he has not, the policy drawn up would not be a wager policy.

WAGES. See "*Rate of Wages.*"

WAIVER. (*Fr.* Désistment; *Ger.* Verzicht.) The voluntary surrender of any legal right. For example, in relation to bills of exchange, *waiver* means the discharge by the *holder* of a bill of any one or more of the parties to it. This discharge may be given either before or after the bill has become due, and without any *consideration*. It may be given by word of mouth or in writing, but in the former case it must necessarily be in the presence of witnesses, or it would have no binding force in law.

WARRANTIES. See "*Conditions and Warranties.*"

WATERING OF STOCK. (*Fr.* Dilution; *Ger.* Bewaessern.) A metaphorical expression signifying the addition of stock to that already issued by a company under such circumstances that no provision is made for a corresponding increase in the earning capacity of the concern. When a railway company issues new stock for the building of a branch line, the revenues of such new branch may be expected to provide interest or dividend on the additional capital raised; but if a railway company raises additional capital to meet charges which ought to be paid out of earnings, or for "*unproductive*" purposes, it is clear that the same amount of revenue will have to provide interest on a larger amount of capital. The term "*watering*" is, therefore, closely related to "*over-capitalisation.*"

WEALTH. (*Fr.* Richesses, biens; *Ger.* Vermoegen, Gueter.) Ever since Adam Smith founded the modern science of Economics (*which see*) in his famous book, *The Wealth of Nations*, the term "*Wealth*" has had a technical meaning. Wealth has been defined as the "*subject-matter of economics,*" but since economics, in turn, is often described as the "*science of wealth,*" it is evident that further amplification is desirable.

The wealth of an individual is not difficult to define, as consisting of property and rights; but since such rights involve corresponding obligations on the part of other individuals it is evident that the wealth of the community is something different from the sum of the property and rights of the component individuals, even apart from the fact that the community as a whole has certain corporate assets—climate, geographical position, accumulated knowledge and prestige, etc., which will not appear in the inventory of any individual.

In the case, therefore, of a community, we find ourselves reverting to the original significance of the word *wealth*, in its Elizabethan meaning of *welfare*, but since the economist, *qua* economist, is mainly concerned with the *material* agencies of human welfare, he has repeatedly been unjustly accused of ignoring the moral and intellectual elements. Hence the fierce onslaught of Ruskin in *Unto this Last* and his passionate dictum: "There is no Wealth but Life. Life, including all its powers of love, of joy, and of admiration. That country is the richest which nourishes the greatest number of noble and happy human beings; that man is richest who, having perfected the functions of his own life to the utmost, has also the widest helpful influence, both personal and by means of his possessions, over the lives of others." True as these sentiments are, however, they do not serve the purpose of shaming the economists, to whom Ruskin was essentially unfair in ascribing sordid motives, and a further quotation from the same work will show the exaggerations of which Ruskin was guilty in respect to his pet aversion. After imputing to the economists the definition

of their science as the "science of getting rich," Ruskin waxes ironical in the following strain; "But there are many sciences, as well as many arts, of getting rich. Poisoning people of large estates was one employed largely in the Middle Ages; adulteration of food of people of small estates is one employed largely now. The ancient and honourable Highland method of blackmail; the more modern and less honourable system of obtaining goods on credit, and the other variously improved methods of appropriation—which, in major and minor scales of industry, down to the most artistic pocket-picking, we owe to recent genius—all come under the general head of sciences, or arts, of getting rich." It is high time that it was made clear once and for all that by the study of wealth the economist understands an analysis of the conditions governing the material elements of human welfare, the so-called indifference of the economist to the "moral factor" being of precisely the same kind as the indifference of the medical student to the "moral factor" in the diseases he is called upon to diagnose; the physician can write about the action of various foods and stimulants upon the human system without incurring any moral blame, and the economist should enjoy the same immunity when engaged in determining the action and interaction of various forms of "wealth."

WEIGHT NOTE. See "*Gross*."

WINDING-UP. (*Fr.* Liquidation; *Ger.* Liquidation.) A clock is wound up to keep it going, but a company is wound up "never to go again." In view of the many interests involved, the winding-up of a limited liability company is a matter of considerable complexity, and quite a large proportion of company law is given up to the subject of concluding the life of companies.

The winding-up of a company may be either (a) *compulsory*, (b) "*under supervision*," or (c) *voluntary*.

Compulsory Winding-up is the termination of a company's career by order and under the direction of the Courts. The most usual cause for the intervention of the Courts is insolvency, but a company may also be dissolved through loss of the "*Main Object*" of its Memorandum of Association, or on a petition of shareholders or creditors, or by default of the company in filing returns, reduction of the membership below the prescribed minimum, special resolution of the company, etc. Generally speaking, compulsory winding-up is a matter for the High Court, but as a matter of convenience extra-Metropolitan County Courts are empowered to take on cases for winding-up companies with a *paid-up* capital not exceeding £10,000.

Winding-up under Supervision. Sometimes, after a voluntary winding-up (*see below*) has been entered upon, objections may be raised on the part of certain shareholders or creditors, who can then apply to the Courts and obtain an order that the winding-up shall proceed

under supervision of the Courts. The Courts will more readily make an order for winding-up under supervision on the application of a creditor than on the application of a shareholder (*vide Gore-Browne*), but in any case regard will be had to the wishes of the *majority* of creditors or shareholders, as the case may be.

Voluntary Winding-up. This term means the termination of a company's career by its own act, that is to say, by resolution passed by itself. The law provides that a company may wind up voluntarily:

(1) When the period, if any, fixed for the duration of the company by the Articles of Association expires, or the event, if any, occurs on the occurrence of which the Articles provide that the company is to be dissolved, and the company in general meeting has passed a resolution requiring the company to be wound up voluntarily.

(2) If the company resolves by *special* resolution that it be wound up voluntarily.

(3) If the company resolves by *extraordinary* resolution to the effect that it cannot *by reason of its liabilities* continue its business, and that it is advisable to wind-up.

A resolution to wind-up is usually accompanied by the appointment of a *liquidator*, whose business it is to bring the affairs of the company to a conclusion, and to distribute the assets amongst creditors and shareholders in the manner prescribed by law and the company's Articles.

Priority of Claims. In the event of a company being wound up, the following debts have priority, viz.:

- i. Debts due to the Crown (*e.g.*, Income Tax).
- ii. Local Rates—not exceeding altogether one year's assessment.
- iii. *Salaries* for preceding *four* months (up to £50 per employee).
- iv. *Wages* for preceding *two* months (up to £25 per employee).
- v. Payments (up to £100) due under the Workmen's Compensation Acts, except when the winding-up is merely for reconstruction or amalgamation.

Creditors and Contributors. In the event of the winding-up of a company the parties interested are divisible, roughly, into two sections, viz., the creditors (which, it should be noticed, include *debenture holders*) and the shareholders. They have a common expectation of *getting something out*, but the difference is that the creditors have prior claim to all available assets; if the assets are insufficient to pay the creditors in full the shareholders will not only get nothing, but will have to pay up any uncalled share capital outstanding. Consequently, when a company is in liquidation the potential liability to *pay up* becomes more important than the actual ownership of shares, and hence in matters of winding-up the term *shareholder* disappears and one finds in its place the ominous expression "*Contributory*." Of course, under normal circumstances, the terms shareholder and contributory are interchangeable, but a person may be a contributory after he has

ceased to be a shareholder. The definition contained in the Act is as follows :

“The term *contributory* means every person liable to contribute to the assets of a company in the event of its being wound up, and, in all proceedings for determining and in all proceedings prior to the final determination of the persons who are to be deemed contributories, includes any person *alleged to be a contributory*.”

One of the functions of the *liquidator* is to prepare a list of contributories. This list is in two parts : the “*A*” *List*, containing the names of existing members (*i.e.*, shareholders), and the “*B*” *List*, which is a list of past members who have ceased to be members *within a period of one year* from the commencement of the winding-up. Such past members are referred to as “*B*” *Contributories*” ; they are liable only in respect of liabilities incurred *whilst they were members*, and if the existing members (*i.e.*, the “*A*” *List*) are unable to satisfy the contributions required.

In the case of a voluntary winding-up, the *Liquidator* is appointed by the company in general meeting, and within seven days of his appointment he must send notice by post to all persons who *appear to him to be creditors* of the company, convening a meeting of such creditors, and notice of such meeting must be advertised in the *Gazette* and two local newspapers. The creditors may then, if they choose, decide to apply to the Courts for the appointment of some other person to act in the place of, or jointly with, the liquidator already nominated by the company, or for the appointment of a *Committee of Inspection*.

With the sanction of an *extraordinary* resolution of the company, the liquidator has power to arrange a compromise between various creditors of the company, or between contributories and debtors of the company.

When the affairs of the company have at last been fully arranged in all particulars, it is the duty of the liquidator to summon what is termed the “*Final Winding-up Meeting*,” to which he must submit statements of accounts showing how the company’s affairs have been settled. Then, within a week, the liquidator must make a “*Return of the Final Winding-up Meeting*” to the Registrar, and on the expiration of a further period of three months “the company shall be deemed to be dissolved.”

Y

YORK-ANTWERP RULES. See “*Average*.”

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ABBREVIATIONS

- A.I.*, First Class (Lloyd's Register). Hence used to indicate anything of best quality, credit or reputation.
- a/c*, Account.
- a/d*, After date.
- A/S*, Account Sales.
- B/E*, Bill of Exchange.
- B/L*, Bill of Lading.
- B/S*, Bill of Sale.
- brl.*, Barrel.
- C. & F.*, Cost and Freight.
- C.I.F.*, Cost, Insurance and Freight.
- c/o*, Care of.
- C.o.D.*, Cash on Delivery.
- C.T.*, Cable Transfer.
- Cum*, With (*e.g.*, *cum div.* = including dividend).
- C.W.O.*, Cash with Order.
- d/s*, days' sight (of Bills).
- \$g.*, Gold Dollar.
- \$Mex.*, Mexican Dollar.
- E. & O.E.*, Errors and Omissions excepted.
- Ex div.*, Not including dividend.
- Ex rights*, Not including rights.
- Ex ship*, Delivered out of ship.
- Ex "V."*, A dock and wharf term, meaning that goods referred to were imported in the ship "V."
- f.a.s.*, Free alongside (*i.e.*, delivered free to ship's side ready for hauling on board).
- f.o.b.*, Free on board (*i.e.*, delivered free on to the ship).
- F.P.A.*, Free of Particular Average.
- hhd.*, Hogshead.
- Inst.*, Instant—the present month.
- I.O.U.*, "I owe you." A form of acknowledgment of a debt.
- Kilo*, Kilogramme (2.2 lb.).
- L/C*, Letter of Credit.
- £E*, Egyptian Pound.
- £T*, Turkish Pound.
- loco*, On the spot (*i.e.*, price does not include cartage).
- m/d*, Months' date (on Bills).
- m/s*, Months' sight.
- N/A*, No advice. Bankers' comment on cheques not met.
- N/E*, No effects. Bankers' comment on cheques not met.
- N/F*, No funds. Bankers' comment on cheques not met.
- N/S*, Not sufficient. Bankers' comment on cheques not met.
- n.e.—°*, Polarisation not exceeding — degrees. (Sugar duty varies with degree of polarisation.)
- P/A*, Power of Attorney.
- P.C.*, Post Card. Price Current.
- p.c.*, Per cent.
- P.P.*, "Præmissis Præmittendis." A common heading to circulars in German, equivalent to the English form, "Dear Sir or Madam." The corresponding French abbreviation is MM. ("Messieurs").
- P.p.*, See "Per Pro."
- p.p.*, Partly Paid (shares).
- pp.*, Pages.
- P.S.*, Postscript (Latin Postscriptum). A footnote.
- Per Pro.*, Per Procuracion.
- Prox.*, Proximo—the coming month.
- R/d*, Refer to Drawer. (Banking term.)
- Stg.*, Sterling.
- T.T.*, Telegraphic Transfer.
- U.u.r.*, Under usual reserves.

SPECIMEN BILL OF LADING.

No.

Shipped in apparent good order and condition by
in the
Steam Ship

now lying in or off the Port of

with liberty before or after proceeding towards or arriving at the Port of Discharge to proceed to and stay at any ports or places whatsoever although in a contrary direction to or out of or beyond the ordinary route to Port of Discharge once or oftener in any order, backwards or forwards, for loading or discharging cargo, mails or bullion, or embarking or disembarking passengers or bunkering or drydocking with or without the cargo on board or adjusting compasses, or repairing, or for any purpose whatsoever whether connected with the present voyage or any intended subsequent voyage, and all such ports, places, sailings, and drydocking shall be deemed included within the present voyage ; such liberty not to be considered as restricted by any words in this Bill of Lading, whether written or printed and whether descriptive of the voyage or otherwise, or by any implication which otherwise might be drawn from this Bill of Lading. Also with liberty to sail with or without Pilots, and to tow or be towed, and to assist any vessels in all situations and also to deviate from the voyage for any purpose whatsoever, the following Goods, viz. :—

PACKAGES MERCHANDISE

being marked and numbered as in the margin and to be delivered (subject to the exceptions and conditions and provisions herein contained) in the like good order and condition from the Ship, at her anchorage (where the Shipowner's responsibility shall cease) at the Port of

(or as near thereto as she may safely get) unto

or to his or their Assigns, which persons are herein included in the term the Consignees. Freight for the said goods, with primage (if any) as per margin, to become due on shipment and to be paid by the shipper in exchange for the Bill of Lading in cash without discount, or at destination by the consignees as may be agreed upon, and declared in the margin hereof. Freight and primage (if any) to be considered as earned whether the Ship or goods be lost or not lost at any stage of the entire transit.

IN WITNESS whereof the Commander of the Ship hath affirmed to
Bills of Lading all of this tenor and
date one of which being accomplished the others to stand void.

Dated in

19

The following are the Exceptions and Conditions above referred to:—

Contents, quality and value unknown and not responsible for weight, measurement and gauge, nor for specification, brand or countermark.

The Act of God, the King's Enemies, Pirates Robbers or Thieves by Land or Sea, arrests or restraints of Princes, Rulers or People, restrictions and consequences of Quarantine, riots, strikes, lockouts, or other labour disturbances, combinations of workmen or others whether ashore or afloat or civil commotion or loss, damage or delay caused directly or indirectly thereby and any circumstances beyond the Shipowners' control; accident loss or damage of any description resulting from any of the following causes of perils, viz.:—insufficiency of packing or packages wear and tear of packages through handling, inaccuracies obliteration or absence of marks numbers address or description of goods shipped, boilers, machinery, rust, vermin, breakage, leakage, ullage, hook-holes, chafage, sweating, evaporation or decay, injurious effects of other goods, effects of climate or heat of holds, chemical action, fumigation, rain, spray, snow, frost, steam coal or coal dust, risk of craft, of transshipment, of storage afloat or on shore, fire or water on board, in hulk, in craft or on shore, explosion, accidents to or defects, latent or otherwise in hull, tackle, boilers or machinery or their appurtenances; unseaworthiness or unfitness to receive and carry cargo provided the owners have exercised due diligence to make the vessel seaworthy and fit; barratry, jettison, loss by thefts or robberies by sea or land and whether by persons directly or indirectly in the employment or service of the Company or otherwise, accidents loss or damage or any consequences arising from overcarriage or loss of Market; any act neglect or default whatsoever, or error in judgment of the Master, Pilot, Officers, Engineers, Mariners, stevedores or others; collision stranding or wreck however caused; and all Perils dangers and accidents of the seas, rivers, land carriage and navigation of whatsoever nature or kind and howsoever caused; any accident, loss, damage, delay or detention from any act or default of the Egyptian Government or the administration of the Suez Canal or arising out of or consequent upon the employment of the Company's vessels in or assistance rendered by them in the performance of His Majesty's Mail Service.

The Company reserve the right of charging freight on the goods by weight, measurement or value and of re-measuring or re-weighing the same and charging freight accordingly before delivery and will not be responsible for correct delivery unless each package is distinctly correctly and permanently marked by the Merchant before shipment with a mark and number, or address, and also with the name of the Port of Delivery, which last must be in letters not less than two inches long. In no circumstances will the Company accept responsibility for delivery to other than leading marks.

The goods may be discharged as soon as the ship is ready to unload and as fast as she is able, continuously day and night, Sundays and holidays included, and if the consignee fails to take delivery of his goods immediately the ship is ready to discharge them the Company shall be at liberty to land the said goods on to wharf or quay or into warehouse, or discharge into hulk, lazaretto or craft or any other suitable place without notice and the goods may be stored by them at the risk and expense of the shippers or consignees any custom of the port to the contrary notwithstanding. Consignees to pay charges for sorting and stacking the goods on wharf or in shed. The Company shall have the option of making delivery of goods either over the ship's side or from lighter or store ship or hulk or Custom House or warehouse or dock or wharf or quay at consignees' risk. In all cases the Company's liability is to cease as soon as the goods are lifted from and leave the ship's deck.

The Company have liberty to carry the goods by the above or other steamships or vessels belonging to themselves or others by any route direct or indirect and at ship's option and expense but at consignees' risk to tranship at any place or places to any other vessels, or to land or store or put into hulk, craft or lighter, to reshipe in the same or other vessel proceeding by any route or forward by lighter, rail or any other conveyance whether such other vessel, store, hulk, craft, lighter or other conveyance belong to the shipowners or not. With liberty also to overcarry the goods beyond or away from their port of destination notwithstanding the arrival of the carrying steamer at such port. Goods so overcarried or carried away from destination and goods in course of transshipment may be placed or stored in craft or ashore and reshipped or forwarded or returned by land or sea at the Company's option and expense but at consignees' risk. The Company to be free of liability for any loss, depreciation or damage arising from overcarriage or return carriage or for loss of Market. In the event of the goods being consigned to any port or place to which the steamer cannot enter the next tide after having arrived as near as she can safely get thereto without discharging and lie always afloat, the Master shall be at liberty to discharge the whole or any part of the cargo into lighters at consignees' risk.

The Company will not in any event be accountable for gold, silver, bullion, specie, jewellery, watches, clocks, precious stones or metals, bank notes or securities for money, paintings, pictures, sculptures, or other works of art, nor for goods of which the value is more than £5 per cubic foot for measurement or per cwt. for weight cargo, nor for goods of

which the value exceeds £100 for any one package, unless the value thereof shall have been declared in writing prior to shipment and entered on the shipping note which must be presented to the Commander at time of shipment and the Bill of Lading signed with the nature and value of the goods appearing thereon and extra freight in respect of same agreed upon and paid; nor for loss, injury or detention to packages intended for different consignees but enclosed in one package unless the contents and value of each separate package be given before shipment and freight paid accordingly; nor for breakage or damage to castings, cast iron pipes, showcases, unprotected goods, marble, slate, glass, glassware, china, earthenware, or any goods of a brittle or fragile nature, from whatsoever cause arising, all such cargo being conveyed at the risk of the shippers and consignees, Fish, fruit, vegetables and all perishable goods and all cargo carried on deck are conveyed solely at the risk of the shipper.

In cases where the ultimate destination at which the Company may have engaged to deliver goods is other than the steamer's port of discharge the Company reserve the right to forward such goods by Rail. Goods forwarded by rail are deliverable at any railway station within or nearest to the destination named and must be taken away by the consignees immediately after arrival otherwise the consignees will be liable for any expenses incurred. Whenever through Bills of Lading are granted by the Company and shipment transshipment carriage or delivery of the goods is to be performed or partly performed by the Vessels or Agents or Servants of other Shipowners such shipment transshipment carriage or delivery is to be subject to the conditions and exceptions of the forwarding conveyance supplemented by those expressed herein and at consignees' risk. Transshipment of cargo for ports where this ship does not call, or for the Company's purposes, to be at the Company's expense, but at consignees' risk from the time the goods are lifted from and leave the Ship's deck, where the Company's responsibility shall cease. Goods to be forwarded as soon as practicable, but the Company do not guarantee that steamers shall have room at Ports of transshipment and accept no liability for detention, any expenses for storing or warehousing to be borne by the consignees. For dutiable cargo transhipped, shipowners may give such undertaking as Customs require at port of transshipment respecting dealing with cargo at port where duty is payable and all charges and risks incurred shall be on account of the consignees. Consular fees on cargo, if any, are to be borne by the consignees. The Company act as forwarding Agents only from their steamer's port of discharge and in all cases their liability is to cease as above provided.

Specie deliverable in London will be landed at a Port in England and conveyed to the Bank of England at the Company's expense but at consignees' risk. All liability of the Company is to cease as soon as the Specie is lifted from and leaves the ship's deck.

If chemicals, liquids or other goods of an explosive, dangerous or damaging nature or liable to spontaneous combustion be shipped without previous declaration and arrangement or any goods contraband or prohibited by the law of ports of shipment, discharge or call, such goods upon discovery may be thrown overboard or may be discharged at any port or may be otherwise dealt with according to the Master's discretion and the Company shall not be responsible for their loss and the shippers and consignees and each of them shall be liable for any consequent loss, damage, expenses, penalty or responsibility to the ship or cargo.

Should a port be inaccessible on account of ice, blockade or interdict or should entry and discharge at a port be deemed by the Master unsafe or inadvisable or liable to subject the steamer to any risk whatsoever whether in consequence of war, disturbance, epidemic or of any other cause or to be likely to subject the steamer or the goods to quarantine or delay there or at any subsequent port the Master shall have liberty to discharge goods intended for such port on the ice or at some other port or place at the risk and expense of the shippers and consignees and upon such discharge the ship's responsibility shall cease.

In the event of quarantine or sanitary or other similar regulations or restrictions whatsoever or wheresoever arising the goods may be discharged into any depot, lazaretto, hulk or other vessel or craft as required for the ship's despatch, or should the Master consider this impracticable he may discharge the goods at a safe port of call, in his option, at the risk and expense of the consignees; and the ship's responsibility shall cease when the goods are so discharged. The shippers and consignees and each of them shall be liable for all quarantine expenses of whatever nature or kind.

Optional delivery is only granted when arranged prior to the shipment of the goods and is expressed in the Bill of Lading. Consignees desiring to avail of the option so expressed must give notice to the Company's Agent at the first port of steamer's call named in the option, at least 24 hours prior to steamer's arrival there, otherwise the goods will be landed and the Company's responsibility will cease.

The freight payable as above has been calculated and based upon a description of the goods declared by the shippers to the Shipowners. The shippers warrant the correctness of such description. If such description should prove to be untrue or incomplete the shippers and consignees and each of them shall be liable for and shall pay to the Steamer, as and by way of liquidated and ascertained damages and not as a penalty, a sum equal to double the freight which would have been charged if the goods had been correctly described less the freight actually paid. Any lift weighing over two tons gross must be

declared in writing before shipment and the weight be stencilled clearly on the package, and if the actual weight be in excess of that declared the shippers and consignees and each of them in addition to paying the above-mentioned double freight, shall make good and bear any loss, damage or delay caused in handling to any property or persons whatsoever and shall also pay all additional charges of handling.

Any claim that may arise in respect of goods shipped in the Company's steamers, for which the steamer is responsible, must be preferred in writing to the Company's Agent at the place of delivery within seven days after discharge and before the goods are removed from the quay or ship's side or place of discharge otherwise the Company shall be free from liability. The Company's liability in case of loss or injury to goods for which they may be responsible within the limits of this Bill of Lading to be calculated on and in no case to exceed the net invoice cost and disbursements.

In the event of any vessel belonging to the Company rendering service to the vessel carrying the goods enumerated in this Bill of Lading entitling the assisting vessel to salvage reward or remuneration for such service, such reward or remuneration shall be treated in the same manner as if the assisting vessel belonged to another company or person.

The contract evidenced by this Bill of Lading shall be governed by the Law of England and in accepting this Bill of Lading the shippers and consignees expressly accept and agree to all its stipulations, exceptions and conditions whether written, stamped or printed as fully as if signed by him or them.

Average payable according to York/Antwerp Rules 1890, supplemented by the practice of English Average Adjusters on all points on which such Rules contain no provision, and the Average statement to be drawn up in the United Kingdom or at any port of discharge or other place at the option of the Shipowners.

The Company shall have a lien upon the goods for unpaid freight and also for dead freight upon any portion of the goods covered by the Shipping Order granted in respect hereof which may not have been shipped and for all charges stipulated herein to be borne by the shippers and/or consignees.

This Bill of Lading must be surrendered duly endorsed at port of destination in exchange for delivery order.

For Commander.

Form of Declaration by
Producer or Manufacturer

No. 11. (Sale).

CERTIFICATE OF ORIGIN.

I, the undersigned Collector of Customs, do hereby
certify: That Mr. _____
(¹) _____ partner in the firm of Messrs. _____
Producers or Manufacturers, established at _____
has declared before me, on his responsibility, that the merchandize
designated below is his firm's manufacture, and is to be shipped
to (²) _____
consigned to _____
Merchant or Manufacturer at (³) _____

Number and Description of Packages	Marks	Numbers	Gross Weight in Kilos.	Contents ⁴

So declared, under my responsibility,

(¹) _____ Partner in the firm of:

Collector of Customs.

DIRECTIONS.

- (1) "A" or "Sole."
- (2) Place of Destination in Spain.
- (3) Place of Residence in Spain.
- (4) The expression "Contents" refers to the material and class of Merchandize. In threads and textiles it must be expressly stated whether these are of cotton, jute, flax, wool or silk, or a mixture of these materials.

The validity of this Certificate expires three months from the date of the visa.

SPECIMEN MARINE POLICY (LLOYD'S)

Be it known that

as well in _____ own Name, as for and in the Name
and Names of all and every other Person or Persons to whom the
same doth, may, or shall appertain, in part or in all, doth make
assurance and cause _____ and them and
every of them, to be insured, lost or not lost, at and from

upon any kind of Goods and Merchandises, and also upon the Body, Tackle, Apparel, Ordnance, Munition, Artillery, Boat and other Furniture, of and in the good Ship or Vessel called the

whereof is Master, under God, for this present Voyage,
or whosoever else shall go for Master in the said Ship, or by what-
soever other Name or Names the same Ship, or the Master thereof,
is or shall be named or called, beginning the Adventure upon the
said Goods and Merchandises from the loading thereof aboard the
said Ship

upon the said Ship, &c.,

and shall so continue and endure, during her Abode there, upon the said Ship, &c.; and further, until the said Ship, with all her Ordnance, Tackle, Apparel, &c., and Goods and Merchandises whatsoever, shall be arrived at

upon the said Ship, &c., until she hath moored at Anchor Twenty-four Hours in good Safety, and upon the Goods and Merchandises until the same be there discharged and safely landed, and it shall be lawful for the said Ship, &c., in this Voyage to proceed and sail to and touch and stay at any Ports or Places whatsoever

without prejudice to this Insurance. The said Ship, &c., Goods and Merchandises, &c., for so much as concerns the Assured, by Agreement between the Assured and Assurers in this Policy, are and shall be valued at

Touching the Adventures and Perils which we the Assurers are contented to bear and do take upon us in this Voyage, they are, of the Seas, Men-of-War, Fire, Enemies, Pirates, Rovers, Thieves, Jettisons, Letters of Mart and Countermart, Surprisals, Takings at Sea, Arrests, Restraints, and Detainments of all Kings, Princes, and People, of what Nation, Condition, or Quality soever, Barratry of the Master and Mariners, and of all other Perils, Losses, and Misfortunes that have or shall come to the Hurt, Detriment, or Damage of the said Goods and Merchandises and Ship, &c., or any Part thereof; and in case of any Loss or Misfortune, it shall be lawful to the Assured, their Factors, Servants and Assigns, to sue, labour, and travel for, in and about the Defence, Safeguard and Recovery of the

said Goods and Merchandises and Ship, &c., or any Part thereof, without Prejudice to this Insurance; to the Charges whereof we, the Assurers, will contribute, each one according to the Rate and Quantity of his sum herein assured. And it is especially declared and agreed that no acts of the Insurer or Insured in recovering, saving, or preserving the property insured, shall be considered as a waiver or acceptance of abandonment. And it is agreed by us, the Insurers, that this Writing or Policy of Assurance shall be of as much Force and Effect as the surest Writing or Policy of Assurance heretofore made in Lombard Street, or in the Royal Exchange, or elsewhere in London.

Warranted free of capture, seizure, arrest, restraint, or detainment, and the consequences thereof or of any attempt thereat (piracy excepted), and also from all consequences of hostilities or warlike operations whether before or after declaration of war.

Should the above clause be deleted, the following clause is to operate as part of this Policy :—

Warranted free of any claim based upon loss of, or frustration of, the insured voyage, or adventure, caused by arrests, restraints or detainments of Kings, Princes or Peoples.

And so we the Assurers are contented, and do hereby promise and bind ourselves, each one for his own Part, our Heirs, Executors, and Goods, to the Assured, their Executors, Administrators, and Assigns, for the true Performance of the Premises, confessing ourselves paid the Consideration due unto us for this Assurance by the Assured
at and after the Rate of

IN WITNESS whereof we, the Assurers, have subscribed our Names and Sums Assured in

N.B.—Corn, Fish, Salt, Fruit, Flour, and Seed are warranted free from Average, unless general, or the Ship be stranded; Sugar, Tobacco, Hemp, Flax, Hides and Skins are warranted free from Average under Five Pounds per Cent.; and all other Goods, also the Ship and Freight, are warranted free from Average under Three Pounds per Cent., unless general, or the Ship be stranded.

(In the event of accident whereby loss or damage may result in a claim under this Policy, the settlement will be much facilitated if immediate notice be given to the nearest Lloyd's Agent.)

SPECIMEN OF

LLOYD'S AVERAGE BOND

An Agreement made this day of 19
BETWEEN Master of

the Ship or Vessel called the
and the several Persons whose names or Firms are
set and subscribed hereto, being respectively con-
signees of Cargo on Board the said Ship of the other
part
WHEREAS the said Ship lately arrived in the Port
of on a voyage from
 and it is alleged that
during such voyage she met with bad weather and
sustained damage and loss and that sacrifices were
made and expenditure incurred which may form a
Charge on the Cargo or some part thereof or be the
subject of a *Salvage and/or* a general average contribu-
tion, but the same cannot be immediately ascertained,
and in the meantime it is desirable that the cargo shall
be delivered; NOW THEREFORE THESE PRE-
SENTS WITNESS and the said Master on his own
behalf and on behalf of his Owners in consideration
of the agreement of the parties hereto of the second
part hereinafter contained, hereby agrees with the
respective parties hereto of the second part that he
will deliver to them respectively their respective
consignments on payment of the freight payable on
delivery, if any, and the said parties hereto of the
second part in consideration of the said Agreement of
the said Master for themselves severally and respec-
tively, and not the one for the others of them, hereby
agree with the said Master that they will pay to the
said Master or the Owners of the said Ship the proper
and respective proportion of any *Salvage and/or*
general average and/or particular and/or other
charges which may be chargeable upon their respec-
tive consignments or to which the Shippers or Owners
of such consignments may be liable to contribute in
respect of such damage, loss, sacrifice, or expenditure,
and the said parties hereto of the second part, further
promise and agree forthwith to furnish to the Captain
or Owner of the said Ship a correct account and
particulars of the value of the goods delivered to them
respectively, in order that any such *Salvage and/or*

general average and/or particular and/or other charges may be ascertained and adjusted in the usual manner.

AND WHEREAS at the request of the owner of the said Ship the parties hereto of the second part have respectively deposited or agreed to deposit in the Bank of _____ in the joint names of _____ nominated on behalf of the shipowners and _____ nominated on behalf of such Depositors the sum of £ _____ per cent. on the amount of the estimated value of their respective interests. NOW IT IS HEREBY further agreed that the sum so deposited by the said parties respectively shall be held as security for and upon trust for the payment to the parties entitled thereto, of the *Salvage and/or* general average and/or particular and/or other charges payable by the said parties hereto of the second part respectively as aforesaid, and subject thereto upon trust for the said Depositors respectively.

This addition to be made to the Agreement in those cases which justify the Shipowners in asking for a deposit.

PROVIDED ALWAYS that the said Trustees may from time to time, pending the preparation of the usual statement, pay to the said parties of the first part in respect of the amounts which may ultimately be found due from the said depositors respectively, and pay or refund to the parties hereto of the second part or any of them in respect of the amounts which may ultimately be found due to them, such sums out of the said deposits as may from time to time be certified by the Adjuster or Adjusters who may be employed to adjust the said *Salvage and/or* general average and/or particular and/or other charges to be a proper sum or proper sums to be advanced by the said Trustees on account of the said amounts. AND IT IS HEREBY DECLARED AND AGREED that any payment or payments on account which shall be made by the said Trustees under or in accordance with the statement or in pursuance of any Certificate to be made or given by the said Adjusters as aforesaid shall discharge such Trustees from all liability in respect of the amounts so paid; and it shall not be necessary for them to inquire into the correctness of the Statement or Certificate. PROVIDED ALWAYS that the deposits so to be made as aforesaid shall be treated as payments made without prejudice and without admitting liability in respect of the

This addition to be made when ad interim payments may have to be made by the Trustees.

said alleged *Salvage and/or* general average and/or particular and/or other charges, and as though the same had been made by the depositors respectively for the purpose only of obtaining delivery of their goods; and in like manner all amounts returned by the Trustees to the depositors shall be received by the latter respectively without prejudice to any claim which the Master or Owners of the said ship may have against them respectively. And nothing herein contained shall constitute the said Adjuster or Adjusters an arbitrator or arbitrators, or render his or their Certificate or Statement binding upon any of the parties.

IN WITNESS

SPECIMEN PROSPECTUS. A. GOVERNMENT.

ISSUE OF

4 0/0 FUNDING LOAN, 1960-90.

Redeemable within 71 years by means of a Sinking Fund.

Interest payable half-yearly on the 1st MAY and 1st NOVEMBER.

A First Dividend as follows will be paid on the 1st NOVEMBER, 1919:—

ON ALLOTMENTS APPLIED FOR		"Fully-paid Allotments."	"Instalment Allotments."	on each complete £1,000 in allotments of £1,000 and upwards.
on or before the 21st June	- - -	£1 : 9 : 2 %	£0 : 2 : 3	
from the 23rd June to the 28th June	-	£1 : 7 : 7 %	£0 : 1 : 6	
„ 30th „ „ 5th July	-	£1 : 6 : 1 %	£0 : 0 : 9	
„ 7th July „ 12th „	-	£1 : 4 : 6 %	nil.	

PRICE OF ISSUE £80 per Cent.

Payable as follows:

1. For FULLY-PAID ALLOTMENTS:

On Application £80 per cent.

2. For INSTALMENT ALLOTMENTS:

On Application £ 5 per cent.
 On Tuesday, the 29th July, 1919 . . . £10 „
 On Thursday, the 21st August, 1919 . . £10 „
 On Thursday, the 18th September, 1919 . £10 „
 On Thursday, the 16th October, 1919 . . £10 „
 On Thursday, the 13th November, 1919 . £10 „
 On Thursday, the 11th December, 1919 . £15 „
 On Thursday, the 8th January, 1920 . . £10 „
£80 per cent.

The Stock is an investment authorised by "The Trustee Act, 1893," and Trustees may invest therein notwithstanding that the price may at the time of investment exceed the redemption value of £100 per Cent,

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND and THE GOVERNOR AND COMPANY OF THE BANK OF IRELAND are authorised to receive applications for the above Loan, which will take the form of Stock or Bonds to Bearer at the option of Subscribers; Stock may be inscribed as "transferable in the Stock Transfer Books," or may be registered as "transferable by Deed."

Applications must be for sums which are multiples of £50, and may be for either (1) "Fully-paid Allotments," or (2) "Instalment Allotments." They will be received at the Bank of England Loans Office, 5 and 6, Lombard Street, London, E.C. 3, and at the Bank of Ireland, Dublin, and may be forwarded either direct, or through the medium of any Banker or Stockbroker in the United Kingdom.

British Government Treasury Bills issued prior to the 1st June, 1919, will be accepted under discount at $3\frac{1}{2}$ per cent. per annum as from the 21st June, 1919, in lieu of cash in payment for "Fully-paid Allotments," provided that the entire proceeds of the Bills are so applied. "Fully-paid Allotments" made in respect of such Applications will receive on the 1st November, 1919, the dividend payable on that date in respect of "Fully-paid Allotments" applied for on or before the 21st June, 1919.

Stock and Bonds of the undermentioned Issues will be accepted at par as the equivalent of cash in payment, in whole or in part, for "Fully-paid Allotments" of this Issue:—

**£4 : 10s. per cent. War Loan,
1925-1945.**

**£6 per cent. Exchequer Bonds,
1920.**

**£5 per cent. Exchequer Bonds,
1919, 1920, 1921 and 1922.**

**£4 per cent. National War
Bonds, 1st, 2nd and 3rd Series.**

£5 per Cent. National War Bonds, 1st, 2nd and 3rd Series.

Where the Stock or Bonds surrendered do not represent the exact sum required to pay for an Allotment (which must be a multiple of £50), the requisite balance must be provided in cash. Interest accrued to the 21st June, 1919, will be paid on holdings surrendered, and the Allotments issued in lieu of such holdings will receive on the 1st November, 1919, the dividend payable on that date in respect of "Fully-paid Allotments" applied for on or before the 21st June, 1919. In the case of the £6 % Exchequer Bonds, 1920, an additional payment will be made representing interest at 1 per cent. from the 21st June, 1919, to the 16th February, 1920, upon the holdings surrendered.

NOTE—Applications paid for, in whole or in part, by the surrender of Stock inscribed or Bonds registered in the Books of the Bank of Ireland must be forwarded to the Bank of Ireland, Dublin.

Stock registered in the Books of the General Post Office, and Bonds issued by the General Post Office, will not be accepted at the Bank of England. They will be accepted at the Post Office under the arrangements set forth in the separate Prospectus issued by H.M. Postmaster-General.

The Principal and Interest of the Loan will be a charge on the Consolidated Fund of the United Kingdom.

His Majesty's Government undertake to set aside at the close of

each half-year a sum equal to $2\frac{1}{4}$ per cent. on the nominal amount of the Loan originally created. After deducting therefrom the amount required for payment of Interest on the Loan for the half-year, the balance of the sum so set aside will be carried to a Sinking Fund which will be applied during the succeeding half-year to the purchase of the Loan for cancellation if the price is at or under par; when the price is above par it will be either so applied or otherwise invested under the control of His Majesty's Treasury. Any outstanding balance of the Loan not previously redeemed will be repaid at par on the 1st May, 1990, but His Majesty's Government reserve to themselves the right, on giving three calendar months' notice in the "London Gazette," to redeem at par at any time on or after the 1st May, 1960, any outstanding balance of the Loan not previously purchased and cancelled by the operation of the Sinking Fund.

Stock and Bonds of this issue will be accepted by the Commissioners of Inland Revenue as the equivalent of cash on the basis of £80 cash for each £100 Stock or Bonds surrendered, with due adjustment on account of interest, in satisfaction of amounts due on account of Death Duties, provided that the Stock or Bonds surrendered have formed part of the Estate passing on death of the deceased continuously up to the date of death from the date of the original subscription or for a period of not less than six months immediately preceding the date of death. Stock and Bonds so surrendered and outstanding will be held for account of His Majesty's Government until redeemed by the operation of the Sinking Fund or until the final redemption of the Loan; any portion of the Sinking Fund applied in any half-year to the purchase for cancellation of Stock or Bonds so held will bear to the total of the Sinking Fund available a ratio not exceeding that which the Stock and Bonds so held at the commencement of such half-year bore to the total of the Loan then outstanding.

Stock or Bonds of this issue and the interest payable from time to time in respect thereof will be exempt from all British Taxation, present or future, so long as it is shewn in the manner directed by the Treasury that they are in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Ireland.

Further, the interest payable from time to time in respect of Stock and Bonds of this Issue will be exempt from British Income Tax, present or future, so long as it is shewn in the manner directed by the Treasury that the Stock or Bonds are in the beneficial ownership of persons not ordinarily resident in the United Kingdom of Great Britain and Ireland, without regard to the question of domicile. Where Bonds are in the beneficial ownership of a person entitled to exemption under these provisions, the relative Coupons will be paid without deduction for Income Tax or other taxes if accompanied by a declaration of ownership in such form as may be required by the Treasury.

The Books of the Loan will be kept at the Bank of England and at the Bank of Ireland.

Stock will be convertible into Bonds to Bearer (in denominations of £50, £100, £200, £500, £1,000 and £5,000) with Coupons attached

for the Interest payable half-yearly, and Bonds will be convertible into Stock without payment of any fee. Stock will be transferable in any sums which are multiples of a penny.

Dividend warrants will be forwarded by post. In the case of inscribed and registered holdings of "Fully-paid Allotments," the warrants for the first dividend, payable 1st November, 1919, will be forwarded in all cases to the original Allottees or their Nominees.

"Fully-paid Allotments" will be issued in one or other of the following forms as applicants may direct:—

1. "Certificate of Inscription" of Stock transferable in the Stock Transfer Books;
2. "Register Certificate" of Stock transferable by Deed;
3. "Bond Certificate(s)" exchangeable in due course for Bond(s) to Bearer.

Allotments made in respect of applications paid for, in whole or in part, by the surrender of Stock or Registered Bonds will in all cases be inscribed or registered in the names of the holders in whose names the surrendered holdings stood. Allotments made in respect of applications paid for, in whole or in part, by the surrender of Bearer Bonds will in all cases be made in Bearer form.

Allotment Letters with Coupon attached for the dividend, if any, due 1st November, 1919, will be issued in respect of "Instalment Allotments," and, when paid in full, may be inscribed or registered on or after the 1st September, 1919, or may be exchanged for Bonds to Bearer as soon as these can be prepared.

The Instalments payable in respect of "Instalment Allotments" may be paid in full on or after the 29th July, 1919, under discount at the rate of $3\frac{1}{2}$ per cent. per annum. Where payment in full is made between two instalment dates, discount will be calculated as from the instalment date next succeeding the date of such full payment. In case of default in the payment of any instalment by its proper date, the deposit and any instalments previously paid will be liable to forfeiture. Payments may be made without additional charge at Offices of the undermentioned Banks in the United Kingdom.

A commission of one-eighth per cent. will be allowed to Bankers, Stockbrokers and Financial Houses on allotments made in respect of applications bearing their Stamp, and paid for wholly in cash and/or by the discounting of Treasury Bills. No commission will be allowed on Allotments paid for, in whole or in part, by the surrender of Stock or Bonds.

Application Forms for

- (1) "Fully-paid Allotments,"
- (2) "Instalment Allotments,"

to be paid for wholly in cash and/or by the discounting of Treasury Bills may be obtained at the Bank of England and at the Bank of Ireland; at any Bank or Money Order Office in the United Kingdom; of Messrs. Mullens, Marshall & Co., 13, George Street, Mansion House, E.C. 4: and of any of the principal Stockbrokers.

Applications Forms for "Fully-paid Allotments" to be paid for in whole or in part, by the surrender of Stock or Registered Bonds,

have been sent by post to all inscribed and registered holders (in the case of a joint account to the first holder) of Issues receivable in lieu of Cash. Further Forms may be obtained—

- | | | |
|---|---|--|
| 1 | (a) For the surrender of holdings registered or inscribed in the Books of the Bank of England | } at the Bank of England, London, E.C. |
| | (b) For the surrender of Bonds to Bearer | |
| 2 | For the surrender of holdings registered or inscribed in the Books of the Bank of Ireland | } at the Bank of Ireland, Dublin. |

Applicants for these Forms must state the description of holding which it is desired to surrender.

The List of Applications will be closed on Saturday, the 12th July, 1919.

BANK OF ENGLAND,

12th June, 1919.

LIST OF BANKS.

Bank of England.
Bank of Ireland.
Bank of Liverpool & Martin's, Ltd.
Bank of Scotland.
Barclays Bank, Ltd.
Beckett & Co.
Belfast Banking Co., Ltd.
British Linen Bank.
Child & Co.
Clydesdale Bank, Ltd.
Cocks, Biddulph & Co.
Commercial Bank of Scotland, Ltd.
Coutts & Co.
Cox & Co.
Dingley & Co.
Dingley Pearse & Co.
Drummonds.
Equitable Bank, Ltd.
Fox, Fowler & Co.
Glyn, Mills, Currie & Co.
Grindlay & Co.
Guernsey Banking Co., Ltd.
Guernsey Commercial Banking Co., Ltd.
Guinness, Mahon & Co.
Gunner & Co.
Halifax Commercial Banking Co., Ltd.
Hibernian Bank, Ltd.
Hoares.
Holt & Co.
Isle of Man Banking Co., Ltd.
Lancashire & Yorkshire Bank, Ltd.
Lloyds Bank, Ltd.

London County Westminster & Parr's Bank, Ltd.
London Joint City & Midland Bank, Ltd.
McGrigor, Sir C. R., Bt. & Co.
Manchester & County Bank, Ltd.
Manchester & Liverpool District Banking Co., Ltd.
Mercantile Bank of Scotland, Ltd.
Munster & Leinster Bank, Ltd.
National Bank, Ltd.
National Bank of Scotland, Ltd.
National Provincial & Union Bank of England, Ltd.
North of Scotland & Town & County Bank, Ltd.
Northamptonshire Union Bank, Ltd.
Northern Banking Co., Ltd.
Palatine Bank, Ltd.
Provincial Bank of Ireland, Ltd.
Royal Bank of Ireland, Ltd.
Royal Bank of Scotland.
Sheffield Banking Co., Ltd.
Shillson Coode & Co.
Stillwell & Sons.
Tubb & Co.
Ulster Bank, Ltd.
Union Bank of Manchester, Ltd.
Union Bank of Scotland, Ltd.
West Yorkshire Bank, Ltd.
Williams Deacon's Bank, Ltd.
Yorkshire Penny Bank, Ltd.

SPECIMEN PROSPECTUS. B. COMMERCIAL

The Subscription List will open on Monday, the 17th day of January, 19 , and close on or before Thursday, the 20th day of January, 19 .

INDUSTRIAL FLARES, LIMITED.

(Incorporated under the Companies Acts, 1908-1917.)

SHARE CAPITAL - - - - £750,000

Divided into 250,000 7% Preference Shares of £1 each, and
500,000 Ordinary Shares of £1 each.

Of these there are now offered for subscription—

250,000 7% Preference Shares of £1 each at par and 250,000
Ordinary Shares of £1 each at par, payable in each case as follows,
viz.—

2/6	per share on Application.
5/-	" " on Allotment.
5/-	" " on 30th March, 19 .
7/6	" " on 1st May, 19 .

Directors.

ABRAHAM JOHN COZENS, J.P., Managing Director of The Paddock
Engineering Company, Ltd., Wolverhampton (Chairman).
CORDREY S. JACKSON, 88, Carter Avenue, Hove (Vice-Chairman).
SIR CLAUDE DE PUYDOME, "Honeybank," Park Lane, W.
GILBERT P. MARCOTT, Proprietor of Whitney's Wharf, Wapping.

Bankers.

The National Joint Westminster & Colonial Bank, Ltd., 67a, Victoria
Street, S.W.

Solicitors.

Bartley Baggs, Bletchley, Baggs and Morebaggs, 79, Minories, E.C.

Brokers.

G. G. Perkins and Hartland, 99, Drapers Gardens, E.C., and Stock
Exchange.

Secretary.

Quinn H. Malcolm, D.S.O., F.C.I.S.

Registered Offices.

45, Commercial Chambers, Victoria Street, S.W.

Copy of this Prospectus has been filed with the Registrar of Joint
Stock Companies.

MEMORANDUM OF ASSOCIATION.

The Company has been formed for the purpose of manufacturing and placing upon the market a new and improved process of outside illumination, suitable for use in Docks, Railway Sidings, Garden Parties . . . (etc. etc.). . . .

In particular it is intended forthwith

1. To acquire the Rights and Patents of the Carbyflaro Syndicate in and relating to . . . (etc.). . . .
2. To enter into negotiations with the Admiralty, War Office, County and Municipal Borough Councils, Railway Companies, Steamship Companies, Docks, Wharfingers, etc. . . .
3. To acquire and develop . . .
4. To . . .
5. Etc., etc.

The Purchase Price payable by the Company for the subsisting patent rights in connection with the processes and apparatus used by — in the manufacture of the high-power, noiseless, non-odorous flares sold and installed by INDUSTRIAL FLARES, Limited, including exclusive licences and patents in the United States, France, Holland and the Argentine, and the benefit of pending Contracts as set forth below, is £300,000, payable as to £50,000 in cash, and as to £250,000 in fully-paid Ordinary Shares.

The Preliminary Expenses of the Company are estimated at £10,000, exclusive of Underwriting and Brokerage, and are payable by the Company. The Minimum Subscription is fixed by the Articles of Association at seven shares, but as the whole of the present issue has been underwritten the Directors will proceed to allotment on the closing of the list.

The whole of the present issue has been underwritten by the City and Suburban Finance Corporation, Limited, Mitre House, London Wall, E.C., at a commission of seven and a half per cent.

The following Directors are interested in the promotion of the Company by reason of their holding shares in the Carbyflaro Syndicate, namely: . . . etc.

The Directors will receive remuneration as follows: . . .

The following Contracts have been entered into on behalf of the Company, namely:—

1. . . .
2. . . .
3. . . .

The Company will pay a Brokerage of 6d. per share on all shares allotted on application forms bearing a broker's stamp.

Applications for Shares should be made upon the forms accompanying the Prospectus, and sent to the Company's Bankers, together with remittance for the amount payable on application.

Where no allotment is made such remittance will be returned in full, and where the number of Shares allotted is less than the number applied for the balance of such remittance will be applied towards

the amount payable on allotment, and any excess returned to the applicant.

Failure to pay the amount payable on allotment when due on the Shares allotted will render the previous payment liable to forfeiture.

Share Certificates will be issued as soon as possible after payment of the first instalment.

Application will be made to the Committee of the Stock Exchange, London, in due course for a settlement in and quotation of the Shares.

Prospectuses and Forms of Application can be obtained at the Office of the Company, or from the Bankers, Solicitors and Brokers.

No application will be entertained except upon the terms of the present Prospectus.

12th January, 19 .

APPLICATION FORM (ORDINARY SHARES).

This Form to be filled up and sent with the remittance to the NATIONAL JOINT WESTMINSTER AND COLONIAL BANK, Limited, 67a Victoria Street, S.W., or Branches. Cheques should be made payable to "Bearer," and crossed.

INDUSTRIAL FLARES, LIMITED.

(Incorporated under the Companies Act, 1908-1917.)

Capital, £750,000, divided into £250,000 7% Preference Shares of £1 each, and 500,000 Ordinary Shares of £1 each.

ISSUE of 250,000 Ordinary Shares of £1 each at par, payable: 2s. 6d. on Application; 5s. on Allotment; 5s. on 30th March, 19....; 7s. 6d. on 1st May, 19....

TO THE DIRECTORS,

INDUSTRIAL FLARES, LIMITED.

45, Commercial Chambers, Victoria Street, S.W.

GENTLEMEN,

Having paid to the Company's Bankers the sum of £....., being a payment of 2s. 6d. per Share on Application for Ordinary Shares in the above Company, part of the above issue, I request that you will allot to me that number of Shares, and I hereby agree to accept the same or any less number that may be allotted to me upon the terms of the Prospectus dated the 12th January, 19...., and the Memorandum and Articles of Association of the Company, and I authorise you to place my name on the Register of Members in respect of the shares allotted to me. I also engage to pay the allotment money and calls as and when the same shall become due.

Ordinary Signature

Name (in full)

(State whether Mr., Mrs., or Miss)

Address

Description

Date

19.....

No receipt will be issued for payment on Application, but an acknowledgment will be forwarded in due course, either by an Allotment Letter or by the return of the deposit.

SPECIMEN OF UNDERWRITING LETTER

WORLD-WIDE STEAMSHIP COMPANY, LIMITED.

Capital £2,500,000

divided into 500,000 7% Cumulative Preference Shares of £1 each
and 2,000,000 Ordinary Shares of £1 each.

Issue of 1,000,000 Shares of £1 each at par.

UNDERWRITING LETTER.

TO MESSRS. FLOATEM, ATTAPRO, FITT & Co.,
Salisbury House, London, E.C.

1. In consideration of your agreeing to pay me/us a commission of 5 per cent. in cash on the nominal amount of Shares of the above Company (World-Wide Steamship Company, Limited), underwritten by me/us and accepted by you, I/WE undertake, at or before the time appointed for the closing of the List for Subscriptions, to subscribe or procure subscriptions from responsible persons to your satisfaction for . . . (1,000) . . . Shares of the Company, and to pay or cause to be paid the amounts payable thereon in accordance with the terms of the draft Prospectus. The said commission to be paid within fourteen days after the receipt of the commission payable to you by the Company.

2. All subscriptions to your satisfaction, and accepted by the Company up to the first general allotment of the Shares, shall be applied *pro rata* in reduction of the liability of the underwriters, and if 1,000,000 of the Shares shall be subscribed for and allotted, my/our responsibility shall cease. Provided always that all Shares allotted, the subscriptions for which shall be received from or through underwriters, and the Application Forms for which shall have been initialled or otherwise marked for identification by such underwriters, shall go primarily in relief of the liability of such underwriters.

3. This Underwriting Letter shall be irrevocable, and my/our liability shall continue notwithstanding any variations between the draft Prospectus which has been shown to me/us, and the Prospectus issued to the public, provided that (1) the amount of the issue of the shares remains the same, (2) 1,000,000 of the Shares shall be underwritten, and the Prospectus, or an abridgment thereof, issued on or before the 30th day of September, 19 , and (3) the Company shall not go to allotment on less than 1,000,000 Shares subscribed.

4. I/WE enclose a signed Form of Application for the above-mentioned number of shares, and a cheque for . . . (£50) . . . ,

being the deposit of 1s. per Share, and I/we authorise you as my/our agent to hand the same to the Company or to apply for the said Shares on my/our behalf, and to procure the allotment of the said Shares to me/us, with liberty for you to insert the date of such Prospectus in my/our application, and I/we undertake not to withdraw this application and authority.

5. Any notice to me/us may be served by sending the same by post, addressed to me/us at the subjoined address, and in proving service it shall be sufficient to prove that the envelope containing the notice was properly addressed, prepaid, and posted.

6.* I/We also request you to endeavour to procure for me/us a firm allotment of . . . (500) . . . of the above Shares underwritten by me/us, and which I/we agree to accept in the event of your being able to do so.

** Strike out this clause if no shares are desired to be taken firm.*

Ordinary Signature.....

Full Name.....

Address

Occupation

Date..... 19..

We accept your underwriting proposal as above to the extent of . . . Shares, and note you agree to take firm . . . (500) . . . of the Shares underwritten by you in any event, which we will endeavour to procure to be allotted to you.

For and on behalf of FLOATEM, ATTAPRO, FITT & CO.,

(Sgd.) J. WALKER.

Date.....19..

SPECIMEN ALLOTMENT LETTER.

**The Imperial Motor Traction and Aircraft
Manufacturing Company, Limited.**

Registered Offices:

VICTORIA STREET, S.W. 1.

15th February, 19....

RICHARD GOLDBAGS, ESQ.,

"THE CEDARS,"

KEMPTON COMMON.

DEAR SIR,

Issue of £500,000 7% Bearer Bonds of £100 each.

I have to inform you that, in respect of your application you have been allotted five Debenture Bearer Bonds of £100 each. The amount of £500 due from you should be paid on or before the 21st March next, as directed below.

By order of the Board,

I. ASKEW,

Secretary.

.....

This Form, with remittance, must be forwarded *entire* to the Company's Bankers, The London Joint City & Midland Bank, Victoria Branch, who will return it duly receipted. It should then be carefully preserved to be exchanged for the relative number of Bonds, which will be ready for delivery on or about the 4th of April next.

Cheques should be made payable to Bearer and crossed "Not Negotiable." If altered from "Order" to "Bearer" the alteration should be signed by the drawer.

.....

RECEIVED for account of the Imperial Motor Traction and Aircraft Manufacturing Company, Limited, payment in full on the above-mentioned Bonds.

For the London Joint City and Midland Bank,

Date.....

.....Cashier.

£.....

No. of Certificate.
X 3451

No. of Shares.
25

THE

COMPANY LIMITED.

Registered under the Companies Acts.

Capital: £1,000,000.

Divided into 500,000 Ordinary Shares of £1 each

and 500,000 6% Cumulative Preference Shares of £1 each.

THIS IS TO CERTIFY that.....

of

is the registered Proprietor of twenty-five
Ordinary shares of £1 each, fully paid, numbered as per endorsement,
inclusive, in the Company, Limited, subject to the

Memorandum and Articles of Association of the Company.

GIVEN under the Common Seal of the Company this

Secretary.

.....Director.

No transfer of any portion of the shares comprised in this certificate will be registered until the certificate has been
delivered at the Company's Offices.

Company, Limited.

The

No. of Certificate :

B 63427

Nos. of Shares :

345871 to 345890.

SHARE WARRANT TO BEARER FOR
20 ORDINARY SHARES

The _____ Company, Limited.

Registered under the Companies Acts.

CAPITAL : £2,000,000.

Divided into 1,000,000 Ordinary Shares of £1 each ;

1,000,000 7% non-cumulative Preference Shares of £1 each.

The _____ Company, Limited.

THIS IS TO CERTIFY that the Bearer of this Warrant is the
 proprietor of Twenty fully-paid Ordinary Shares of One
 Pound each, numbered as above in the Capital Stock
 of the _____ Company, Limited.

Subject to the Regulations of the Company for the time being.

GIVEN under the Common Seal of the Company
 this _____ day of _____ 19 _____

Secretary.

Director.

[Repetition of particulars of Certificate]
TALON (for issue of new Coupon Sheet).

44	33	22	(Coupon) 11
43	32	21	(Coupon) 10
42	31	20	(Coupon) 9
41	30	19	(Coupon) 8
40	29	18	(Coupon) 7
39	28	17	(Coupon) 6
38	27	16	(Coupon) 5
37	26	15	(Coupon) 4
36	25	14	(Coupon) 3
35	24	13	(Coupon) 2
34	23	12	(Coupon) 1

COMMISSION RULES OF LONDON STOCK EXCHANGE [1919 ISSUE].

RULES 179—181.

COMMISSIONS.

- 179.** The Minimum Scale of Commission, except Minimum Scale of Commissions as provided in Rule 189, is laid down in Appendix 39, but is not compulsory in the case of Underwriting or the placing of New Issues. Nor shall it apply to Continuations provided that a Broker shall charge or allow in respect of Continuation business a rate not more favourable to his Principal than that actually paid or received by him in the market, or if the Continuation is effected wholly or partially by the employment of his own resources a rate which shall be fair and reasonable having regard to the market conditions of the day.
- 180.** (1) A Broker shall render to a Non-Member a contract note in respect of every bargain done for such Non-Member's account, stating the price at which the bargain has been done. Subject to the provisions of Rules 82 and 83 such contract note shall contain a charge for Commission at a rate not less than the Scale as laid down in Appendix 39, or as modified by the provisions of Rules 179, 182, 183, 184 or 189. Contracts to be rendered and to set out price and Commission.
- (2) Subject to Rules 181, 189 (3) and 190 the Rules under the heading of "Commissions" do not lay down any restrictions as to dealings between Members. Dealings between Members.
- (3) Except for business done under Rule 186 a Broker may render a net Contract Note provided Commission in accordance with Clause (1) of this Rule is charged and provided such Contract Note states that the Commission is allowed for in the price. Net Contracts
- 181.** A Broker may not act as a Principal for the purpose of evading these Rules, or adopt any other procedure for a like purpose, nor may he commute his Commission for a fixed payment or salary unless in each year he be specially authorised so to do by the Committee, nor may he divide profits or Commission with a Non-Member except as authorised by Rules 186, 187 and 188. Commission Rules not to be evaded.

RULES 182—183.

COMMISSIONS.

- 182.** (1) A Broker may at his discretion charge only one Commission for buying and selling the same security for the same Principal for the same Account, whether ordinary Account or Special Settlement. Closing Trans-
actions.
- (2) On a change of investments Commission must be charged on both sale and purchase at a rate not less than the scale laid down in Appendix 39 or as modified by the provisions of Rule 183 : but if such change be made for the same Principal during the same Account or the Account immediately following and the Securities have not been continued, a Broker may at his discretion charge Commission at a rate not less than the scale as laid down in Appendix 39 on one transaction and a reduced Commission of not less than half that rate on the other. The full rate must be charged on the side which yields the larger amount. Change of
Invest-
ments.
- 183** (1) On any transaction in which the consideration money is £2,500 or under, the full Commission laid down under Appendix 39 must be charged. In the case of a transaction in which the consideration money exceeds £2,500 full Commission must be charged up to that amount, but a Broker may, at his discretion (when in his opinion the volume of his Principal's business justifies it), charge a reduced Commission on the balance of the transaction, provided that in no case shall such reduced Commission be less than one-half of the Minimum Scale laid down in Appendix 39. Commission
may be re-
duced in cer-
tain cases.
- (2) In the case of a transaction in not less than £20,000 Stock of a Security of or Guaranteed by the British or Indian Government having a currency of not more than 12 years, a Broker may at his discretion charge a reduced Commission on the entire amount provided that in no case shall such reduced Commission be less than one-half of the Minimum Scale laid down in Appendix 39.
- (3) The reduced scale allowed by this Rule is not applicable when a Broker charges only one Commission under Clause (1) of Rule 182. When
inapplicable.

COMMISSIONS.

- (4) In the case of an order to invest or realise an amount of money in or from several Securities, each bargain the consideration for which does not exceed £2,500 must bear the full Commission, but should an order in one Stock, if above £2,500 consideration, be only partially executed, the Commission may be adjusted on completion of the order. Adjustment of Commission.
- 184.** (1) A Broker may at his discretion, when in his opinion the volume of any Principal's business justifies it, charge that Principal a uniform Commission of not less than 1s. 6d. per share on shares passing by delivery when the price exceeds £25, and at his like discretion a uniform Commission of not less than 6d. per share on shares dealt in in the American Market on any order for not less than 50 shares. Bearer Shares.
- (2) When such uniform Commission is charged it shall be charged on every bargain whether by way of closing, change of investment or otherwise and shall not be shared in any way with any person other than a Remisier or a Clerk in the Broker's own exclusive employment as provided in Rules 187 and 188. Conditions.
- 185.** A Broker shall, subject to the provisions of Rules 82, 83 and 190 (4), charge Commission at not less than the Minimum Scale as laid down in Appendix 39 without modification to any Stock and Share Broker or Dealer in the United Kingdom, whether carrying on business in the form of a limited Company or otherwise, who advertises in the public Press for Stock Exchange business or issues Circulars respecting such business to other than his own Principals, except in connection with Securities which are purely local and not quoted in "The Stock Exchange Official List," or who is a Member of any other institution within the London Postal Area, where dealings in Stocks or Shares are carried on, or is proved to the satisfaction of the Committee to have dealt or offered to deal below the Minimum Price in any Security subject to such Minimum Price, and no allowance or rebate Sharing Commissions or giving rebates to outside Brokers forbidden.

RULES 185—186.

COMMISSIONS.

in respect of such Commission shall be made to such Broker or Dealer or any other person.

- 186.** (1) A Broker may share his Commission with an Agent provided that (except in the case where such Agent is his Remisier or a Clerk in his own employment) the share of the Commission actually retained by him is not less than one-half of the Minimum Scale as laid down in Appendix 39, except as provided in Clause (4) of this Rule, and also that the Agent's share is not divided with or allowed to his Principal. Commission may be shared with an agent on certain conditions.
- (2) A Broker may not share with an Agent the Commission charged on the Agent's personal business, nor may he share Commission under this Rule with Agents on business done for Principals for whom he deals under the provisions of Rules 183 or 184, nor may he share Commission with any Agent who may be proved to the satisfaction of the Committee to have dealt or offered to deal either as Principal or Agent below the Minimum Price in any Security subject to such Minimum Price. When in-applicable.
- (3) A Broker who shares Commission with an Agent under the provisions of this Rule shall render a Contract Note which shall state that the business has been done "by order of" the Agent, and that the Commission is shared with such Agent under the provisions of this Rule. Such Contract Note must not be rendered "net," and must show Commission at not less than the scale laid down in Appendix 39. Contract Notes rendered to Agents.
- (4) In the case of a change of investments made under the conditions of Clause (2) of Rule 182 a Broker may share Commission with an Agent on both sale and purchase, provided that (except where such Agent is the Broker's Remisier or a Clerk in his own employment) the share of Commission actually retained by the Broker is not less than one-half of the Minimum Scale laid down in Appendix 39 on the side yielding the larger amount, and on the other side not less than one-half of the reduced Commission allowed by Rule 182, Clause (2). Change of Investments.

COMMISSIONS.

- 187.** A Broker shall be entitled to employ for the purpose of his business a Remisier resident abroad whose name is registered with the Committee in accordance with Appendix 40, and to remunerate such Remisier with a share not exceeding one-half of the Commission charged to the Principal he introduces whether such Commission be at the Minimum Scale as laid down in Appendix 39 or as modified by the provisions of Rules 182, 183 and 184. Commission may be shared with a Remisier.
- 188.** A Broker may remunerate a Clerk in his own exclusive employment with a share not exceeding one-half of the Commission charged to the Principal he introduces whether such Commission be at the Minimum Scale as laid down in Appendix 39 or as modified by the provisions of Rules 182, 183 and 184, provided that such remuneration is not shared by the Clerk with or allowed to his Principal. Commission may be shared with a Clerk.
- 189 (1)** On any transaction for a Member of any Associated Stock Exchange in the United Kingdom, or a Stock Broker whose name is included in the "List of Stock Brokers in the United Kingdom kept by the Commissioners of Inland Revenue in pursuance of Section 77 (3) of the Finance (1909-10) Act, 1910," and who does not carry on business within the London Postal Area, such Broker not being excluded by the provisions of Rule 185, a Broker may at his discretion charge Commission at a rate not less than the scale laid down in Clause (4) of this Rule, and when orders for the same Principal for sale and reinvestment for the same Account are given simultaneously, Commission at not less than one-half the charges laid down in Clause (2) of Rule 182. Special Commission for country Brokers.
- (2)** The Commission laid down by this Rule shall be the minimum Commission to be charged on all business coming to The Stock Exchange from a Member of any Associated Stock Exchange or country Broker, as defined in Clause (1) of this Rule, except that a Broker may apply to such business the provisions of Clause (1) of Rule 182. Change of Investments.
- (2)** The Commission laid down by this Rule shall be the minimum Commission to be charged on all business coming to The Stock Exchange from a Member of any Associated Stock Exchange or country Broker, as defined in Clause (1) of this Rule, except that a Broker may apply to such business the provisions of Clause (1) of Rule 182. Minimum Commission.
- Closing Transactions.

RULE 189.

COMMISSIONS.

Such Commission shall not be shared with any one except a Clerk in the Broker's own exclusive employment. Such Clerk shall not under any circumstances either directly or indirectly divide or share his proportion of such Commission with or allow the same to such country Broker.

- (3) A Broker shall not act as a Principal or send **Evasions.** an order to a Member of an Associated Stock Exchange or country Broker for the purpose of evading the minimum Commission on such business, nor shall he adopt any other procedure for a like purpose. Any evasion will be treated as a breach not only of this Rule but also of Rule 81 which prohibits shunting.
- (4) On transactions for Brokers, as defined in **Scale.** Clause (1) of this Rule a Broker may at his discretion charge a reduced Commission at the rate of not less than one-half of the rates laid down in Appendix 39, irrespective of the volume of the transactions in question and further he may charge the following exceptional reduced rates, viz. :—

Railway and other Registered Stocks.

Price £ 25 or under ..	$\frac{1}{12}$ % on Stock.
Over £ 25 to £ 50 ..	$\frac{1}{18}$ % " "
„ £ 50 to £150 ..	$\frac{1}{8}$ % " "
„ £150 to £200 ..	$\frac{3}{16}$ % " "
„ £200 to £250 ..	$\frac{1}{4}$ % " "

With $\frac{1}{16}$ rise for every £50 in price.

Shares of \$ 50 or \$ 100 Denomination dealt in
in the American Market.

Price \$ 50 or under ..	3d. per Share.
Over \$ 50 to \$100 ..	4½d. „ „
„ \$100 to \$150 ..	6d. „ „
„ \$150 to \$200 ..	9d. „ „
„ \$200 ..	1s. 0d. „ „

COMMISSIONS.

- 190.** For the purposes of administering the Commission Rules,
- (1) A Broker, when transacting business between a Dealer and a Member of the Public, shall be considered as acting as the Agent of the Non-Member. Business between Dealer and Public.
 - (2) The remuneration of a Broker when transacting business between a Dealer and a Country Broker must in no case be less than the minimum rate laid down in Rule 189. Between Dealer and Country Broker.
 - (3) A Broker, when transacting business between a Dealer and an outside Broker or Dealer who is excluded by the provisions of Rule 185, must always charge the latter with full commission as laid down in Appendix 39. Between Dealer and person excluded by Rule 185.
 - (4) Subject to the provisions of Rule 83, a Broker, when transacting business between a Country Broker who is entitled to the privileges of Rule 189 and an outside Broker or Dealer who is excluded by the provisions of Rule 185, must charge the full commission as laid down in Appendix 39 to the latter and none to the former. Between Country Broker and person excluded by Rule 185.
- 191.** A Broker may not share Commission under Rules 186, 187 or 188 with a former Member who has applied for Re-election and has been rejected. Sharing Commission prohibited.
-

MINIMUM SCALE OF COMMISSIONS.

Securities of or Guaranteed by the British or Indian Government having a currency of not more than Twelve years, in bargains of not less than £20,000 Stock.	} per cent. on Stock.
Foreign Government Bonds. Price 20 or under	
Foreign Railway and other Bonds to bearer. Price 20 or under ...	
Consols, 2½ % and 2½ % Annuities and Securities issued by the British Government since the commencement of the War.	1½ " " " " Stock.
Other British Government Securities	} " " " " Stock.
Indian Government Stocks	
Metropolitan Consolidated Stocks ...	
London County Consolidated Stocks	
Foreign Government Bonds. Price over 20	
Foreign Railway and other Bonds to bearer. Price over 20	
Colonial Government Securities ...	
County, Corporation and Provincial Securities (British, Indian, Colonial or Foreign)	
Bank of England and Bank of Ireland Stock	1 " " " " Money.
Registered Stocks (other than Railway Ordinary and Deferred Ordinary Stocks)	½ " " " " Money.

Railway Ordinary and Deferred Ordinary Stocks :—

Price £10 or under	At discretion.
Over £10 to £25	1½ per cent. on Stock.
" £25 to £50	1 " " "
" £50 to £100	1 " " "
" £100 to £150	1 " " "
" £150 to £200	1 " " "
" £200	1 " " "

Shares, Registered or Bearer (other than Shares of \$ 50 or
\$ 100 denomination dealt in in the American Market).

Price 0 1 0 or under At discretion.

Over 0 1 0 to 0 2 0	s. d.	} per Share.
" 0 2 0 to 0 3 6	0 0½	
" 0 3 6 to 0 5 0	0 1	"
" 0 5 0 to 0 15 0	0 1½	"
" 0 15 0 to £1 10 0	0 3	"
" £1 10 0 to £2 0 0	0 4½	"
" £2 0 0 to £3 0 0	0 6	"
" £3 0 0 to £4 0 0	0 7½	"
" £4 0 0 to £5 0 0	0 9	"
" £5 0 0 to £7 10 0	1 0	"
" £7 10 0 to £10 0 0	1 3	"
" £10 0 0 to £15 0 0	1 6	"
" £15 0 0 to £20 0 0	2 0	"
" £20 0 0 to £25 0 0	2 6	"
" £25 0 0	½ per cent. on Money.	

SHARES OF \$50 OR \$100 DENOMINATION dealt in in the American Market.

Price \$ 5 or under	...	...	At discretion.
			s. d.
Over \$ 5 to \$ 25...	...	...	0 6 per Share.
" \$ 25 to \$ 50	...	...	0 9 "
" \$ 50 to \$ 100	...	...	1 0 "
" \$ 100 to \$ 150	...	...	1 6 "
" \$ 150 to \$ 200	...	...	2 0 "

With 6d. rise for every \$ 50, or portion thereof, in price.

OPTIONS FOR MORE THAN ONE ACCOUNT	...	As on bargains.
OPTIONS FOR ONE ACCOUNT OR LESS	...	
BARGAINS IN PARTLY-PAID STOCK OR SHARES	...	
OF NEW ISSUES FOR CASH PREVIOUS TO	...	
OR FOR SPECIAL SETTLEMENT	...	
BARGAINS IN RIGHTS FOR CASH	...	
POWERS OF ATTORNEY FOR INSCRIBED STOCK	...	} At discretion.
PROBATE AND OTHER VALUATIONS	...	
SECURITIES MADE-UP OR MADE-DOWN	...	
SHORT-DATED SECURITIES (HAVING FIVE	...	
YEARS OR LESS TO RUN)	...	
TRANSFERS OF STOCKS AND SHARES	...	

SMALL BARGAINS ... No lower Commission than 5s. to be charged except in the case of transactions amounting to less than £20 in value on which a Commission of not less than 2s. 6d. must be charged.

FOREIGN CURRENCIES.

COUNTRY	UNITS	MINT PARITY
ARGENTINE	Unit: 1 Peso = 100 Centavos Pesos 5 = 1 Argentine	£1 = Ps. 5.20 gold. 1 Peso (gold) = 3/11½d. N.B.—Paper Peso = 1/9d. only, or 44 centavos on gold basis
AUSTRALIA	As United Kingdom	
AUSTRIA	Unit: 1 Krone = 100 Heller	£1 = Kr. 24 Kr. 1 = 10d.
BELGIUM	As France	
BRAZIL	Unit: 1 Milreis = 1,000 Reis	£1 = Ms. 8.90 (silver) Ms. 1 (silver) = 2/3d.
CANADA	As United States	\$5 = 20/6½d. Sovereigns are legal tender at \$4.86½ per £1.
CZECHO- SLOVAKIA	Temporarily using old Austrian monetary system	
CHINA	"The currency system of China is still undefined. "The bulk of transactions are based upon the Tael, "or money of account—a certain weight of silver "metal which varies in different parts of China; "for instance, the Haikwan Tael is equal to about "583, and the Shanghai Tael to about 520 grains of "fine silver—the value fluctuates with the price of "silver. The currency of the poorest classes consists "of copper cash, of which about 1,600 or 1,700 equal "one Tael. The currency of the middle and upper "classes consists of dollars, or ingots of silver, "called sycee." (Vide "Banking Almanac and Directory, 1919.")	
DENMARK	As Sweden	
EGYPT	Unit: 1 Egyptian Pound (£E) = 100 Piastres = 1,000 Millièmes	£1 = £E. 0.9756 £E. 1 = £1 os. 6d.

COUNTRY	UNITS	MINT PARITY
FINLAND	Unit: 1 Markka = 100 Penni	£1 = 25'20 Markka 1 Finnish Mark = 9½d.
FRANCE	Unit: 1 Franc = 100 Centimes	£ = Frs. 25'20 Fr. 1 = 9½d.
GERMANY	Unit: 1 Mark = 100 Pfennig	£1 = Mk. 20'40 Mk. 1 = 11¾d.
GREECE	Unit: 1 Drachma = 100 Lepta	£1 = Dr. 25'20 Dr. 1 = 9½d. (on gold basis)
HOLLAND	Unit: 1 Florin (or Gulden) = 100 Cents	£1 = Fl. 12'10 Fl. 1 = 1/8d.
INDIA	Unit: 1 Rupee = 16 Annas	£1 = Rs. 10/- 1 Rupee = 2/-
ITALY	Unit: 1 Lire = 100 Centesimi	£1 = Lire 25'20 1 Lire = 9½d.
JAPAN	Unit: 1 Yen = 100 Sen = 1,000 Rin	£1 = Yen 9'745 1 Yen = 2/0¾d.
MEXICO	Unit: 1 Peso = 100 Centavos	£1 = \$ Mex. 9'75 \$ Mex. 1 = 2/0½d.
NORWAY	As Sweden	
PERU	Unit: 1 Libra Peruana = 10 Sols = 100 Dineros = 1,000 Centavos	The Peru Pound is nominally the exact equivalent of one sovereign.
POLAND	Temporarily a mixture of Roubles, Kronen, Marks, and Francs	

COUNTRY	UNITS	MINT PARITY
PORTUGAL	Unit: 1 Milreis = 1,000 Reis 10 Milreis = 1 Coroa	£1 = 4½ Milreis. 1 Milreis = 4/5½d.
ROUMANIA	Unit: 1 Lei = 100 Bani	£1 = Lei 25·20 1 Lei = 9½d.
RUSSIA	At present uncertain. (The Provisional Government of Northern Russia endeavoured in the summer of 1919 to establish a new and reliable rouble note, to be issued by the National Emission Caisse, Archangel, against the deposit of sterling at the Bank of England at the rate of 40 roubles to the pound; but the scheme broke down.)	
	Old Unit: 1 Rouble = 100 Kopecks	£1 = Rbls. 6·30 (silver) or Rbls. 9·46 (paper) 1 Rbl. (silver) = 3/2d. 1 Rbl. (paper) = 2/1½d.
SERVIA	Unit: 1 Dinar = 100 Paras	£1 = Dinar 25·20 1 Dinar = 9½d.
SPAIN	Unit: 1 Peseta = 100 Centimos	£1 = Pes. 25·20 Pes. 1 = 9½d.
SWEDEN	Unit: 1 Krone = 100 Öre	£1 = Kr. 18·18 Kr. 1 = 1/1½d.
SWITZER- LAND	As France	
TURKEY	Unit: 1 Lira = 100 Piastres	£1 = £T. 1·11 £T. 1 = 18/-
UNITED STATES	Unit: 1 Dollar = 100 Cents	£1 = \$4·87 \$1 = 4/1½d.

TABLE showing the YEARLY AVERAGE OFFICIAL BANK RATES OF DISCOUNT in ENGLAND, FRANCE and GERMANY, from 1849 to 1919.

Year.	ENGLAND.	FRANCE.	GERMANY.
	Per cent.	Per cent.	Per cent.
1849	3	4	4
1850	2 $\frac{1}{2}$	4	4
1851	3	4	4
1852	2 $\frac{1}{2}$	3 $\frac{1}{2}$	4
1853	3 $\frac{1}{2}$	3 $\frac{1}{2}$	4 $\frac{1}{2}$
1854	5 $\frac{1}{2}$	4 $\frac{1}{2}$	4 $\frac{3}{8}$
1855	4 $\frac{7}{8}$	4 $\frac{1}{2}$	4 $\frac{1}{2}$
1856	6	5 $\frac{1}{2}$	5
1857	6 $\frac{1}{2}$	6 $\frac{1}{2}$	5 $\frac{1}{2}$
1858	3 $\frac{1}{2}$	3 $\frac{1}{2}$	4 $\frac{1}{2}$
1859	2 $\frac{1}{2}$	3 $\frac{1}{2}$	4 $\frac{1}{2}$
1860	4 $\frac{1}{2}$	3 $\frac{1}{2}$	4
1861	5 $\frac{1}{2}$	5 $\frac{1}{2}$	4
1862	2 $\frac{1}{2}$	3 $\frac{1}{2}$	4
1863	4 $\frac{1}{2}$	4 $\frac{1}{2}$	4 $\frac{1}{2}$
1864	7 $\frac{1}{2}$	6 $\frac{1}{2}$	5 $\frac{1}{2}$
1865	4 $\frac{1}{2}$	3 $\frac{1}{2}$	5
1866	7	3 $\frac{1}{2}$	6 $\frac{1}{2}$
1867	2 $\frac{1}{2}$	2 $\frac{1}{2}$	4
1868	2 $\frac{1}{2}$	2 $\frac{1}{2}$	4
1869	3 $\frac{1}{2}$	2 $\frac{1}{2}$	4 $\frac{1}{2}$
1870	3 $\frac{1}{2}$	4	4 $\frac{7}{8}$
1871	2 $\frac{7}{8}$	5 $\frac{1}{2}$	4 $\frac{1}{2}$
1872	4 $\frac{1}{2}$	5 $\frac{1}{2}$	4 $\frac{1}{2}$
1873	4 $\frac{1}{2}$	5 $\frac{1}{2}$	5
1874	3 $\frac{3}{4}$	4 $\frac{1}{2}$	4 $\frac{3}{8}$
1875	3 $\frac{1}{2}$	4	4 $\frac{1}{2}$
1876	2 $\frac{3}{8}$	3 $\frac{3}{8}$	4 $\frac{1}{2}$
1877	2 $\frac{7}{8}$	2 $\frac{1}{2}$	4 $\frac{3}{8}$
1878	3 $\frac{3}{4}$	2 $\frac{1}{2}$	4 $\frac{3}{8}$
1879	2 $\frac{1}{2}$	2 $\frac{3}{8}$	3 $\frac{1}{2}$
1880	2 $\frac{3}{4}$	2 $\frac{7}{8}$	4 $\frac{1}{2}$
1881	3 $\frac{1}{2}$	3 $\frac{3}{8}$	4 $\frac{1}{2}$
1882	4 $\frac{1}{2}$	3 $\frac{3}{4}$	4 $\frac{1}{2}$
1883	3 $\frac{1}{2}$	3	4 $\frac{1}{2}$
1884	3	3	4
1885	2 $\frac{7}{8}$	3	4 $\frac{1}{2}$
1886	3	3	3 $\frac{1}{2}$
1887	3 $\frac{3}{8}$	3	3 $\frac{3}{8}$
1888	3 $\frac{1}{2}$	3 $\frac{1}{2}$	3 $\frac{1}{2}$

Year.	ENGLAND.	FRANCE.	GERMANY.
	Per cent.	Per cent.	Per cent.
1889	$3\frac{1}{2}$	$3\frac{1}{8}$	$3\frac{5}{8}$
1890	$4\frac{1}{2}$	3	$4\frac{1}{2}$
1891	$3\frac{1}{4}$	3	$3\frac{3}{4}$
1892	$2\frac{1}{2}$	$2\frac{3}{4}$	$3\frac{1}{4}$
1893	3	$2\frac{1}{2}$	$4\frac{1}{8}$
1894	$2\frac{1}{8}$	$2\frac{1}{2}$	$3\frac{1}{8}$
1895	2	$2\frac{1}{8}$	$3\frac{1}{8}$
1896	$2\frac{1}{2}$	2	$3\frac{5}{8}$
1897	$2\frac{5}{8}$	2	$3\frac{3}{4}$
1898	$3\frac{1}{4}$	$2\frac{1}{4}$	$4\frac{1}{4}$
1899	$3\frac{3}{4}$	3	5
1900	4	$3\frac{1}{4}$	$5\frac{3}{8}$
1901	$3\frac{1}{2}$	3	$4\frac{1}{8}$
1902	$3\frac{3}{8}$	3	$3\frac{1}{4}$
1903	$3\frac{3}{4}$	3	$3\frac{3}{4}$
1904	$3\frac{1}{4}$	3	$4\frac{1}{4}$
1905	3	3	$3\frac{3}{4}$
1906	$4\frac{1}{4}$	3	$5\frac{1}{8}$
1907	$4\frac{1}{8}$	$3\frac{1}{2}$	6
1908	3	$3\frac{1}{8}$	$4\frac{7}{8}$
1909	$3\frac{1}{8}$	3	$3\frac{7}{8}$
1910	4	3	$4\frac{1}{4}$
1911	$3\frac{1}{2}$	$3\frac{1}{8}$	$4\frac{3}{8}$
1912	4	$3\frac{3}{8}$	5
1913	$4\frac{3}{4}$	4	$5\frac{5}{8}$
1914	4	$4\frac{1}{4}$	$4\frac{7}{8}$
1915	5	5	5
1916	$5\frac{1}{2}$	5	5
1917	$5\frac{1}{8}$	5	5
1918	5	5	5
1919	$5\frac{1}{8}$	5	5

Average Official Bank Rates for the whole period, 1845-1919 :

England	$3\frac{3}{4}\%$
France	$3\frac{3}{8}\%$
Germany	$4\frac{1}{8}\%$

GENERAL HOLIDAYS.

ENGLAND	FRANCE	U.S.A.	GERMANY
1st January (Banks and Stock Exchange)	1st and 2nd January (general)	1st January (general)	1st January
Good Friday	Shrove Tuesday (Carnival)	12th February (Lincoln's birthday)	Shrove Tuesday (Carnival)
Easter Monday	Good Friday	22nd Feb. (Washington's birthday)	Ash Wednesday
1st May (Stock Exchange)	Easter Monday	Good Friday (general)	Good Friday
Whit Monday	1st May (pretty general)	Whit Monday (Decoration Day)	Easter Monday
1st July (Banks and Stock Exchange)	Ascension Day	4th July (Independence Day) or 5th if a Monday	Ascension Day
August Bank Holiday (1st Monday in August)	Whit Monday	1st Monday in September (Labor Day)	Whit Monday
1st November (Stock Exchange)	14th July (Fête Nationale)	25th November (Thanksgiving Day)	15th August (Assumption, Catholic Germany)
25th Dec. } Christmas	15th August (Assumption B. V. M.)	Christmas Day	17th November (general)
26th " }	1st November (All Saints)		25th and 26th December (Christmas)
Also 27th if 26th a Sunday	25th December (Christmas)		
(Of late years Stock Exchange frequently close on Saturdays)			

METRIC SYSTEM OF WEIGHTS AND MEASURES.

The Metric System is based on the "Mètre," a unit of length originally calculated as being one-fortymillionth of a meridian.

Lineal Measure.

1 Kilomètre	= 1,000 mètres	= 1,093½ yards.
1 Hectomètre	= 100 "	= 109¼ yards.
1 Décamètre	= 10 "	= 11 yards.
1 Mètre		= 39·37 inches, or 3¼ feet.
1 Decimètre	= $\frac{1}{10}$ th of a mètre	= 3·937 inches.
1 Centimètre	= $\frac{1}{100}$ th of a mètre	= 0·3937 inches.
1 Millimètre	= $\frac{1}{1000}$ th of a mètre	= 0·03937 inches.

Surface Measure.

1 Square Mètre		= 10·7639 sq. ft., or 1·196 sq. yards.
1 Are	= 100 square mètres	= 119½ sq. yards or $\frac{1}{10}$ th of an acre.
1 Hectare	= 100 ares	= nearly 2½ acres.

Measures of Capacity.

1 Litre		= 1¾ pints.
1 Décalitre	= 10 litres	= 2½ glns.
1 Hectolitre	= 100 "	= 22 glns.
1 Décilitre	= $\frac{1}{10}$ th of a litre	= $\frac{17}{100}$ th of a pint.
1 Centilitre	= $\frac{1}{100}$ th " "	= $\frac{3}{10}$ ths of a gill.

Measures of Weight.

1 Kilogramme	= 1,000 grammes	= 2·2046 lb. avoird.
1 Centner	= 50 kilogrammes	= 110¼ lb. (practically 1 cwt.).
1 Quintal (Ger. Doppelzentner)	= 100 "	= 220½ lb. (practically 2 cwt.).
1 Metric Ton	= 1,000 "	= 2,204½ lb. (practically 1 ton).
1 Gramme		= 0·564 dr. (or 15·432 grains).

The terms "Décagramme" (10 grammes) and "Hectogramme" (100 grammes) are not ordinarily used.

N.B.—In many countries where the Metric System is employed a half-kilogramme (*French Livre*; *German Pfund*) is still a very common unit of weight, slightly heavier than the English pound.

Metric Equivalent of British Units—

1 Inch	= 2.54 centimètres.
1 Yard	= 0.9144 mètres.
1 Mile	= 1.6093 kilomètres (roughly, 10 miles = 16 kilomètres).
1 Acre	= 0.4047 hectares.
1 Sq. Mile	= 259 hectares.
1 Pint	= 0.473 litres.
1 lb.	= 0.4536 kilogramme.
1 Ton	= 1.016 metric tons.

STAMP DUTIES RELATING TO COMMERCIAL
TRANSACTIONS.

AGREEMENT, under hand, and not specially charged as below	6d.	irrespective of amount involved.
AGREEMENT in respect of Dwelling-house, Apart- ments, or Furniture, for a period of less than one year	5s. od.	" "
BILL OF LADING	6d.	" "
BILL OF EXCHANGE (a) If payable on demand or at sight, or 3 days of sight. (This in- cludes CHEQUES)	2d.	" "
(b) All other Bills of Ex- change and Pro- missory Notes, <i>ad</i> <i>valorem</i> , as shown	1d. 2d. 3d. 6d. 9d. 1s. od. 1s. od.	if not over £5 " " £10 " " £25 " " £50 " " £75 " " £100 every additional or part thereof £100
(c) Bills of Exchange both <i>drawn and payable</i> outside the U.K., <i>if negotiated</i> in U.K.	6d. 6d.	£50 to £100 for every additional £100 or part thereof
CHEQUES. See under Bill of Exchange.		
COMPANIES, Registration of	5s. od.	for every £100
CONTRACT NOTES. (Stockbrokers')	6d.	If <i>actual</i> value of stock not over - £100
	1s. od.	" " £500
	2s. od.	" " £1,000
	3s. od.	" " £1,500
	4s. od.	" " £2,500
	6s. od.	" " £5,000
	8s. od.	" " £7,500
	10s. od.	" " £10,000
	12s. od.	" " £12,500
	14s. od.	" " £15,000
	16s. od.	" " £17,500
	18s. od.	" " £20,000
	20s. od.	exceeding £20,000

CONVEYANCE of real estate and property other than stocks or marketable securities.	1s. od.	not exceeding	£5
	2s. od.	" "	£10
	3s. od.	" "	£15
	4s. od.	" "	£20
	5s. od.	" "	£25
	10s. od.	" "	£50
	5s. od.	every additional	£25 to £300
	10s. od.	every additional	£50 above £300
INSURANCE POLICIES.			
(a) Life	6d.	every	£50 up to £500
	1s. od.	" £100 "	" £1,000
	10s. od.	every additional	£1,000 or part thereof
(b) Marine			
Voyage Policy :	1d.	every	£100 or part
Time Policy :			
not exceeding 6 mos	5d.	" "	" "
" " 12 mos	6d.	" "	" "
(c) Fire and Accident	1d.	irrespective of amount	
TRANSFERS of Stocks or marketable Securities, whether by way of sale or gift	6d.	where consideration money does not exceed	£5
	1s. od.	" " "	£10
	1s. 6d.	" " "	£15
	2s. od.	" " "	£20
	2s. 6d.	" " "	£25
	2s. 6d.	every additional	£25 up to £300
	5s. od.	every additional	£50 over £300
Transfer of stocks for "nominal consideration" (i.e., without real change of ownership)	10s. od.	irrespective of amount	
Transfers of Colonial Stocks	2s. 6d.	per	£100



